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A. Communist Rule in a Municipality-- Shanghai

693 A study of the municipality of Shanghai, which is the most important city in China, will make clear the Communist way of governing the urban population. The government of Shanghai consists of a mayor, five elected deputy-mayors, 44 members of the People's council, and a People's congress consisting of 737 delegates. a maximum number never surpassed by any provincial congress. This is the main structure of the executive and deliberative branch of the municipality of Shanghai. The area of Shanghai is then divided into thirty districts or wards, in each of which are established departments of civil affairs, of industry and commerce, of education and culture, of health, and of secretariat work; at times, another department for construction and production work is added. Each of the districts has an average population of 225,856 persons, but in a suburban ward the population may be reduced to 81,014 persons. In the P'eng-lai district, where the densest population is found there is a population of 381,563. The division into wards took place in 1949 when the population of Shanghai was 5,127,480. The Chinese Communists went into such detail that in each of Shanghai's 11,185 streets, a street committee was established whose work was divided into six departments: (1) Health, (2) Education and Culture, (3) Social Welfare (4) Conciliation, (5) Security and Defense, and (6) Relief. The voluntary associations in this instance are: (1) Resist-America Aid-Korean Branch Association, (2) Joint Association of Commerce and Industry, (3) Democratic Youth Association, (4) Students' Union, (5) the Federation of Democratic Women, and (6) the Housewife League[8]

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[8] Ch'ün-mo Luan-wu Ti Shang-hai-shih[Shanghai Where the Demons Dance in Confusion] , Taipei, 6th Section, Nat'list Party, 1954, pp. 5-8.

●633 It is evident that all of these territorial and administrative organizations and voluntary associations strive to work out a means by which the inhabitants can be observed by the government and the Communist Party.

632 B. Communist Rule in A Rural District -- Yung-ho Hsiang

The following description of the Yung-ho *hsiang* government in the county of Hsin-teng, Chekiang Province, appeared in a Shanghai paper. It may have been written for the purpose of propaganda, but it does explain how a *hsiang* government is supposed to operate.

In the Yung-ho *hsiang* there is a population of 1,883 persons living in 525 families, classified into eight families of rich peasants, twelve families of small merchants, twenty-two families of craftsmen, and the remainder classed as peasant families. The Communist Party has a party branch in this *hsiang*, with a membership of nine, a youth branch of 68, a peasant's association, a Federation of Democratic Women, three agricultura producers' co-operatives, and thirty-three year-round mutual-aid teams; 95 per cent of all the peasants are included in the three co-operatives and the thirty-three teams.

When the work of "democratic reconstruction" was set in motion, the election procedure took place within all the organizations and teams. The whole population elected 92 delegates to the *hsiang* congress, among whom were one teacher, one craftsman, one merchant, and one rich peasant; the remainder were peasants. Twenty

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633 The Urban Inhabitants' Committee is organized with the stated aim of contributing to the welfare of the residents. The basic unit is a family residing in or sharing a house with others, and a committee administers the affairs of from 100-600 families. An attempt was made to organize urban inhabitants in the 6,008 alleys in Shanghai in the winter of 1950. The committee organization was not widely established until 1951. As of June 1954, some 1,852 committees and 36,000 teams had been organized.

The Urban Street Office is the representative of the city government and acts as a liaison between the government and the street. In fact, the office serves to check and impose rules upon the residents. Its jurisdiction parallels that established for the Public Security Sub-Station, thus enforcing a doublecheck among the residents. The Public Security Sub-Station is responsible, in the main, for the maintenance of public order and the suppression of counter-revolutionary activity.

668 The Mediation Committee is a "mass" organization, established both in the city and in the village. Its function is to mediate disputes, propagandize government statutes, and exercise "judicial" power in the village and street for misdemeanors uncovered by the Peoples' tribunals. Although the committee acts as a third party in a dispute, it must not be overlooked that the committee represents

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Politics and Population

The Political Status of the City

648 In its physical aspect and in its economic organization, Shanghai was, and remains, largely Western. Foreigners governed most of the city. Yet the soil remained Chinese, and the legal or treaty powers of the foreigners were limited.[1]

The terms of the Treaty of Nanking in 1842 (between China and Great Britain at the close of the Anglo-Chinese war of 1840–1842*), which opened Shanghai, Ningpo, Foochow, Amoy and Canton to foreign trade, did not deal with the conditions of administration at the ports, and these were left to be negotiated separately. At Shanghai, negotiations in 1843 with the local Chinese officials established the right of foreigners to lease land within a small area set apart for the purpose outside the walls of the existing Chinese city. China remained sovereign at least in theory over the whole of Shanghai, and in effect delegated certain rights and powers to foreigners. The area of the foreign leaseholds was expanded by successive agreements with the local Chinese officials until it covered the greater part of the conurbation which developed at Shanghai, exclusive of the original walled city, but the administrative powers of the foreign government of this area remained tenuous.

633 The Shanghai Municipal Council, the chief organ of the foreign
government at Shanghai, had the responsibility, granted by agree-
ment with the Chinese officials, of maintaining order within the
International Settlement, and this was taken to include policing and
the maintenance of public works such as roads, drains, lighting, and
633 later water, gas and electric services as these were developed. Powers
651 of taxation, however, remained an unsolved issue until as late as

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* Similar treaties were quickly negotiated by the other European powers and by the United States. See below, Chapter Five.

633 651 1899, when it was finally agreed (largely as a result of diplomatic pressure) that no Chinese taxes could be collected within the foreign settlements except maritime customs dues (administered by an organ of the Chinese Government staffed by foreigners and Chinese) and the land tax (since the land remained Chinese property), while the Shanghai Municipal Council was free to tax both foreign and Chinese residents of the Settlement.

648 701 Neither the Shanghai Municipal Council nor the foreign consuls at Shanghai were ever legally empowered to hinder the passage of Chinese troops through the foreign settlements, although Chinese troops were successfully excluded by *force majeure* and diplomatic bluff from the time of the first threat to the foreign settlements at the so-called Battle of Muddy Flat in 1853.* However, all of the Western powers having treaty relations with China claimed the right to land their own troops in the Settlements for the protection of the property and lives of their citizens. While this right was never formally enunciated in any treaty or agreement, it was practised on numerous occasions when troops landed from foreign warships in the harbor joined the Shanghai Volunteer Corps in defending the Settlement. The foreign settlements were never invaded by a hostile force (although bombs and shells landed there in 1932 and 1937), nor occupied by Chinese troops, from 1853, when the Volunteer Corps was formed, until Japan's assault on China engulfed all of the city after Pearl Harbor in 1941.

648 692 The most important right of the foreigners at Shanghai was extraterritoriality, which placed citizens of all powers having most-favoured-nation agreements with China under the jurisdiction of their own national laws wherever they went within China. This principle was first enunciated in the Treaty of Wang Hsia between China and the United States in 1843, and the law was in practice administered to foreigners by their own consular courts. Extraterritoriality gave the foreigners advantages in business and in security of person and property; at Shanghai it was the only solid legal basis

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* An incident in the Taiping Rebellion (1850–1864), when Shanghai was for long periods surrounded by rebel or imperial forces. On this occasion, the foreign residents of the city, aided by crews from their ships in the harbor, cleared out a large encampment of imperial troops which had been established within the Settlement boundaries. See F. L. Pott, *A Short History of Shanghai* (1928).

of real significance for the existence of the city as a foreign enclave. 648 (All special rights of foreigners in China, including extraterritoriality, 692 were renounced by the treaty powers in 1944. Shanghai is now governed as a single unit by the Communist administration.)

The practice at many other treaty ports in China differed. At 648 some, outright territorial concessions were made to each important 651 foreign trading power; at others, the Chinese authorities established 439 "international settlements" where foreigners might purchase land; at others, as at Shanghai, certain areas were reserved for foreign leasing (and later foreign purchase), with title deeds issued by the Chinese Government. Altogether, more than forty such treaty ports were established in China (some of them in fact inland centers far removed from navigable waterways), and administrative practice differed widely among them. The one common feature of all the treaty ports was that goods entering the "port" were exempted from all further taxation on their domestic movement by the payment of one inclusive tax. This provision was intended primarily to expedite the foreign trade of the treaty ports, but it also acted to encourage the movement of domestic trade through these cities with the streamlined tax system as compared with the multiplicity of local taxes which otherwise interrupted the movement of goods within China.

At Shanghai, there were three independent political units (map 633 3). First, the original Chinese city, to which were added, as the city grew after its opening to foreign trade, areas of predominantly Chinese occupancy outside the limits of the foreign settlements. This Chinese area was governed by the local Chinese county authorities until 1928, when the Nationalist Government established the Municipality of Greater Shanghai (map 5), a new administrative unit covering all of Shanghai outside the foreign settlements, responsible directly to Nanking and independent of local authorities. (It totalled 320 square miles, most of which remained open rural country outside the conurbation.) Second, the so-called International Settlement, which had originally been British and which was opened to all foreigners in 1854. This was the largest and most populous single political unit within the conurbation, and it included the city's commercial core, most of its manufacturing, and most of its shipping frontage. Third, the French Settlement, usually miscalled the "French

633 Concession," which was, like the originally British and later International Settlement, merely an area which by written agreement with the local Chinese authorities was set apart for the leasing and later for the purchase of land by French nationals. It was largely residential, and was governed by a Municipal Council in the same way and with the same powers as the International Settlement under the Shanghai Municipal Council. The population of both foreign settlements was overwhelmingly Chinese.*

362 One peripheral matter may be mentioned here in brief since it is a common difficulty in all great cities and since Shanghai's solution of
361 it has been somewhat unusual. This is the problem of conveniently located space for suburban residential occupance. The development of large-scale manufacturing came relatively late in Shanghai, and was not a primary factor in the city's economy until about the first decade of the twentieth century. Most of the city's industrial area (map 3) has been occupied since that time, and while most of the Chinese industrial workers lived in the area of the factories (many of which were supplied with workers' dormitories on the premises), there was a growing need for conveniently located housing in residential suburbs for higher-income Chinese and foreigners engaged in the expanding economic activity of the city. A combination of circumstances had left such an area near to the city's commercial core only sparsely occupied until about the end of the first world war. This was the major part of the French Settlement, behind its narrow river frontage.

The last and largest addition to the French Settlement was made as late as 1914, and it covers substantially the area which had become residential by the 1920's. The French Settlement had not expanded earlier in this direction for a variety of reasons. In common with their practice in other colonial areas, the French had favored their own nationals in the granting and registering of title deeds to land in their Settlement. (Registry was managed through the French consul.) The choice sites went to French merchants, and most of the other foreigners took their business elsewhere, while the volume of French business alone was not sufficient to produce adequate grounds for territorial expansion. The French Settlement was further

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* Wherever Shanghai is named here, it refers to the conurbation as a whole.

454 investment in industry. The political independence of the foreign settlements was a key factor in all of this, as well as in the development in the city of banking, exchange, and an international money market, all profiting from financial enterprises by no means limited to the city's trade and industry but conducted under the advantages of foreign law and of free circulation of foreign and Chinese currencies.

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441 Trade, industry, and finance thus were given an original impetus and were helped to maintain their mutual and cumulative effect of attraction by Shanghai's political status. Location has, however, been the predominant factor in the growth of the city at every period, and distinguished Shanghai from other treaty ports which, with the same economic opportunity derived from their political status, were rapidly outdistanced by Shanghai. Hong Kong's location was equally favorable at the start (before north China and the Yangtze valley were opened to foreign trade) and the city had the further early advantage of insularity, where full British sovereignty gave to trade the security an entrepôt requires. If political status were the primary factor, Hong Kong would have displaced all its rivals. Hong Kong's trade is still second only to Shanghai's, but following the usual pattern, as commercial development proceeded in the wake of treaties opening new ports and granting new rights to foreigners, a mainland site became increasingly advantageous. At the same time, the center of trade shifted inevitably to its natural focus in the Yangtze basin after the collapse of the artificial Canton system.

A vigorous controversy among foreign and Chinese businessmen in Shanghai over the economic importance of the city's political status was touched off in 1931. The Shanghai Municipal Council (at that time composed of five British, two American, two Japanese, and five Chinese members), had for a decade received increasingly explicit requests from the Shanghai Chinese and from the national government to consider means of returning to China full sovereign rights over the entire city, including the abandonment of extraterritoriality. In 1930 the Council invited the Hon. Mr. Richard Feetham, a judge of the supreme court of the Union of South Africa, to appraise the situation as an impartial investigator and to make detailed recom-

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mendations "with a view to assisting them in formulating some constructive plan for the future of the Foreign Settlement which, while giving full consideration to the aspirations of the Chinese people will at the same time afford reasonably adequate protection to the great commercial and business interests which have been developed in Shanghai."[1]

In the course of his investigations, Justice Feetham consulted virtually every prominent foreign businessman and business organization, including those which had been demanding the rendition of foreigners' special rights, legal and territorial. Justice Feetham asked these individuals and organizations to give their several opinions on "the nature and extent of the business interests concentrated in Shanghai, particularly in the foreign Settlement, and the main causes which have led to such concentration."[2] Whether or not Feetham intended this as a leading question, the replies from foreigners were almost unanimous in stressing that the political status of the foreign settlements had been the only factor of importance in the growth of the city.

Their argument, as far as it went, was convincing. They pointed out that trade and investment could prosper only under orderly conditions, and that the security offered to business by the foreign settlements was not only physical but legal, embodied in courts of law free from political interference and upholding the sacredness of contract. They neglected to point out that the law, originally administered to each national group by its own consular officials who were often themselves members of the business community as well, and later for the larger national groups by specially appointed judges from the home country, was frequently read to the particular advantage of each national group, at the expense of other foreigners and of their Chinese competitors or customers. There was nevertheless protection, by the due process which obtained, against seizure of property, extortion, excessive taxation, illegal practices, and other phenomena common in contemporary China, where military requisitions, arbitrary government regulations, dues and fines, official and unofficial "squeeze," and wholesale expropriation were the daily risks of the businessman.

Even the Chinese enterprises outside the settlements profited

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from the special rights of foreigners by sharing the protection of foreign ships and troops against threatened occupation of these areas by Chinese forces in times of civil disorder or rebellion. Under Chinese control, the foreigners argued, public utilities would quickly deteriorate, and illegal and disastrous business operations would disrupt commerce and industry. The enormous investment in land within the settlements, legally protected by deeds and free from expropriation, was a prominent source of new capital for investment in the city's expanding economy. Title deeds to real estate in the settlements, registered with the foreign consuls, were important as security for loans to both foreign ano Chinese entrepreneurs. Foreigners cited the gradual drop in interest rates in the Settlements since 1843, a healthy condition for business, and attributed it to the security attendant on foreign political control, comparing it with interest rates elsewhere in China often exceeding 50 per cent per annum. Some of the statements from foreigners cited "the superior geographic location of Nanking" (an assertion which they did not substantiate and which hardly can be upheld), arguing that it was nevertheless "backward" solely because it lacked the advantages of security on which Shanghai had grown.

There were two dissenting voices among the foreigners. Germany had lost her special rights in China, including extraterritoriality, in 1915, and the statement of the German Chamber of Commerce[3] gave first importance to geographic location in the rise of Shanghai, taking the view that its political status had been a minor factor. "In our opinion, the geographical situation is the vital point . . . The position of Shanghai as a commercial centre greatly depends on the situation in the interior." Most of the city's imports are transshipped to the interior, and most of its exports originate there. This trade is "not protected by Shanghai's special administration, still there is an ever-increasing total of trade figures, a phenomenon which evidently is not entirely due to the status of Shanghai."[4] It was natural that the German businessmen should prefer to see the special treaty advantages of the other foreign merchants removed, but the recovery of German trade at Shanghai after 1919, despite the handicap of dealing on equal terms with the Chinese,

2: Murphy G-4 (no date) 1953 AF15 East China AF15

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was quick, and by 1930 it amounted to a larger percentage of the business of Western nationals than it had in 1913.[5]

Professor C. F. Remer, a noted student of Chinese economic problems then on the faculty of St. John's University in Shanghai, contributed the only impartial and certainly the best informed opinion on the questions raised by Justice Feetham.[6] He allowed the early importance of political (and thus economic) security in favouring the concentration of capital and commerce in Shanghai, "but it does not follow that the abolition of extraterritoriality would destroy Shanghai as a financial center. China's trade would still be financed. The degree of difficulty would depend on the Chinese government regime, and here the Chinese bankers, merchants, and industrialists would exert great influence." Emphasizing that China appreciated the geographic advantages and importance of Shanghai and would not let them lapse, he pointed out that "what would go primarily would be the present free opportunities for foreign investment and foreign financial operations, and possibly the concentration of silver and specie in the Settlement, which would limit speculation and general financial operations, but not necessarily seriously. Financial dislocation could easily be avoided by intelligent Sino-Foreign cooperation, and China's financial center would remain at Shanghai."

Statements from Chinese civic and business organizations ranged from polite Chinese phrases claiming that "the problem is too intricate for an immediate or complete answer" to outright demands for the immediate rendition by the foreigners of all special rights. Most of them played down the importance of political and economic security in the growth of the city, or maintained that it could adequately be provided under full Chinese sovereignty, and all of them stressed the natural advantages of Shanghai as the key factor. Justice Feetham's final recommendations were that immediate rendition would be fatal to the economic life of the city, and that although it must come eventually in order to satisfy Chinese national aspirations, it should be delayed until the rule of law and constitutional government was accepted in China.[7] This was of course a conveniently ambiguous phrase, and no provisions were made for determining when the conditions had been met. It remains to be

● 633 441 seen how the surrender of special privileges in China by all of the nations having treaty relations with China (completed by 1944), and the full sovereignty of the national government of China over the whole of Shanghai will affect the economic development of the city.

Jealous of their threatened treaty rights, which undoubtedly gave them as foreigners an advantage in business and investments over the Chinese, the foreign business community of Shanghai overstated the importance of the political factor in the rise of the city, especially by implying that the special status of the Settlements and their foreign residents worked equally to the interests of Chinese and foreigners. Primarily, they failed to evaluate correctly the locational factors which, once the Yangtze basin was opened to foreign trade by treaty agreements, played the predominant role in the growth of modern Shanghai. A city of this order of magnitude and volume of trade could not have and did not develop anywhere else in China, and this condition was in large part responsible for the mushroom growth of Shanghai as the one dominant commercial center for most of the country.

The security provided by foreign control was an important stimulus to economic development at a critical time, during the early years of the foreign settlements when capital began to concentrate there. In this respect it had the effect of a protective tariff for the infant Western-type economy born into a strange land. Once this economy had matured and acquired its own momentum (based increasingly on Chinese participation according to Western economic methods), the tariff was characteristically retained although it was no longer necessary to the healthy functioning of the economy and now operated merely to protect special sectors (in this case the foreign businessmen), which could continue to operate on a non-competitive basis. It is not necessary to deny that removal of the tariff would cripple "special interests" to maintain that the net effect of removal on the overall functioning and prosperity of the economy would be slight.

633 441 177 A new group of Chinese businessmen had learned Western commercial methods from their intercourse with foreigners in the treaty ports. Shanghai was the leading school, and by the turn of

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the century, foreigners in business there were in general limited to the heads of firms and their executive assistants. Chinese were responsible in the foreign firms for the bulk of buying and selling and for the essential groundwork of financing in addition to maintaining their own trading firms. Private Chinese entrepreneurs took a prominent part in the growth of industry in the city after 1895, and modern Chinese banks modeled on Western methods rivaled the foreign banks after 1920 as the leading Shanghai financial institutions. Strong foreign, especially Japanese, competition, profiting from treaty advantages, was more responsible than Chinese lack of experience or ability for the fact that the Chinese did not dominate the originally foreign economic life of the city more completely than they did. Chinese capital for investment was a problem, but it was increasingly being produced by Shanghai's own economy, and capital could be borrowed abroad without requiring foreign control over its investment.

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It could be argued that while Chinese methods in business and industry were in many cases different from those of the West, they were better adjusted to the particular conditions of the Chinese economy and society and if given free competitive opportunity would be at least equally successful.* In any case, it could not be assumed that if left in sole control of the complex economy of Shanghai which they had helped to build, the Chinese would allow it to run down to any significant extent. Conscious planning to relocate industry is another matter.

The prolonged controversy leading up to Justice Feetham's investigations included a special number of the *China Weekly Review* in 1926 devoted to "Greater Shanghai" in which the following argument for rendition appeared: "Shanghai would have been a great city had there never been a foreigner in the place. It would continue to be a great city even if the foreigners should vacate their modern buildings and go home."[8] While the first sentence is an overstatement of the case, the second sentence is undoubtedly accurate.

* Carl Crow, *Four Hundred Million Customers* (1937), and *Foreign Devils in the Flowery Kingdom* (1940), an American businessman of nearly thirty years' experience in Shanghai, tends to take this view.

AUTHOR'S PREFACE TO THE SHANGHAI EDITION

000 The role of authorities in the control of factors influencing the life and livelihood of any community has become more significant with each passing decade since the commencement of the Industrial Revolution. Periods of national emergency or wars place on governing bodies greater responsibilities for evolving methods of control which will offer safeguards to, and preserve as far as possible, the livelihood of a nation. The restoration of peace may not lessen, but may even enhance the necessity for official concern with these questions.

Whatever the future of Shanghai, it will always have a large industrial population for whose well-being the authorities must have concern. Some analysis, therefore, brief though it may be, of the industrial and social situation in the International Settlement in Shanghai, and the efforts of authorities to meet the problems presented, should be of some advantage in evolving a programme for the future welfare of its industrial population.

The question is sometimes asked whether progress in improving industrial conditions in the Shanghai areas under foreign administration has significance for China as a whole. It has been my experience that ideas spread rapidly among factory owners, and that they are willing to try new procedures. If, therefore, in Shanghai, educational or administrative means can produce improvement in the working conditions, and particularly if it becomes apparent that these better conditions "pay," it is certain that their influence will spread. In one respect Shanghai's significance for the rest of China lies in the long start which it has had industrially over other parts of the country. It is a treasure trove of skilled workmen. These, to be sure, are not qualified technicians in the sense familiar in Western countries, since there has been a lack of technical training facilities. Yet there are thousands of men who are skilled in the operation of machinery, and this skill requires both time and the opportunity of working in machine shops to acquire it. For the China of the future, for the real industrial China which must emerge, they constitute a national resource which should be developed.

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This monograph has been written at the request of the Institute of Pacific Relations from the experience of creating for the Shanghai Municipal Council an administrative instrument which has functioned in the industrial and social field since 1933. The Council has lacked

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121 633 specific powers to evolve a comprehensive legislative instrument to regulate industrial conditions, enforce minimum wages, require compulsory mediation and arbitration in industrial disputes and deal with many other social issues. This limitation has not prevented the creation of a trained staff which collects accurate information for use in wage adjustments, mediates industrial disputes when requested, provides general advisory and consulting services as well as trained personnel to inspect industrial enterprises, and tries to obtain better physical conditions of work.

121 The present monograph, after a brief survey of the jurisdictional issues, indicates the existing problems and describes the plans which have evolved within the limitations of constitutional power and financial support to improve industrial conditions in the International Settlement of Shanghai. This study is essentially a record of material, much of it published for the first time, summarising administrative policy, giving background for the efforts and outlining unsolved problems. Though official in the sense that it describes official action, it is not an official document; it is personal in that it has been my privilege to attempt to find the solution to these problems. For facts and opinions expressed herein, I, as the author, am solely responsible.

ELEANOR M. HINDER

Shanghai
October 1, 1941.

CHAPTER I

THE BACKGROUND

648 ON OCTOBER 10, 1942, the governments of Great Britain and the United States announced the relinquishment of their extra-territorial rights in China. The announcement was fittingly made on the "Double Ten Day," the tenth day of the tenth month, anniversary of the founding of the Chinese Republic in 1911. It brought to an end a century of special privileges for citizens of the two countries concerned, and heralded the passing of concessions and settlements. Among these was the International Settlement in Shanghai, where, indeed, at the moment of the announcement, Japanese military exercised actual control. The intention was nevertheless clear that, when the invader had been expelled, the actual government and not only the theoretical sovereignty of the International Settlement in Shanghai would pass into the hands of the Chinese Government.

648 The complex administrative composition of the Shanghai which
633 existed in the decade 1933-1942 to which the efforts described in this monograph refer, was well known to students of Far Eastern problems. From 1927 onwards three distinct political administrations exercised jurisdiction over three well-defined areas. The Shanghai Municipal Council, dating from 1845, ruled over the International Settlement, an area of some 8.94 square miles, slightly more than half of which lay north of Soochow Creek and the remainder to the south of it. The French Municipal Council functioned in the French Concession, an area of 3.95 square miles to the south of the International Settlement. Two districts, one west and one north of the Settlement, were known as the Extra-Settlement Roads areas, where the Shanghai Municipal Council owned the roads by right of purchase under treaty provisions, and permitted enfranchised public utilities to use them for transporta-
648 tion and other services, but where the enclaves between the roads
633 were Chinese-administered. Some changes occurred after the out-
722 break of Sino-Japanese hostilities in 1937 when Japanese military

648 exercised certain controls in the area of the Settlement north of
633 the Soochow Creek. The Western Extra-Settlement Roads area
722 passed in 1942 completely into the control of the Chinese City
Government.

The governing body of the International Settlement was the
648 Shanghai Municipal Council, of international membership. From
633 1930, soon after Chinese members first took seats on the Council,
until 1941, it consisted of 14 members. Nine foreign members were elected by foreign ratepayers, and the general convention of its composition—five British, two American and two Japanese members—was observed. Five Chinese members were chosen by representative Chinese organisations. The allocation of seats in no way satisfied Japanese aspirations, and on several occasions they sought to increase their representation. In April 1941 a change was made which gave three seats each to British, American and Japanese members, and widened the basis of representation to include one German, one Dutch and one Swiss member. Four seats were allocated to Chinese members. The newly constituted Council proved a success. It pursued vigorous policies and faced many issues, the solution of which political impotence had previously made impossible. Functions formerly exercised by a ratepayers' meeting passed into the hands of the Council.

The administration of the French Concession was under a French Municipal Council appointed by the Consul-General for France. The Chinese City Government was presided over by a Mayor, appointed by the Chinese Government. The Chinese-administered area in Shanghai was a "special municipality," under direct control of the National Government of China, not of the province of Kiangsu in which it was situated.

648 Chinese citizens resident in the two foreign-administered areas
633 were subject to Chinese Courts presided over by officials appointed
691 by the Chinese Government. After the withdrawal of the Chinese
Government to Chungking in 1938, the judges of the First Special
722 District Court (in the International Settlement) and of the Second
Special District Court (in the French Concession) remained unchanged for a time. In 1940 the Japanese-influenced Nanking Chinese Government obtained control over the Second Special District Court. Chungking-appointed judges were replaced in the First Special District Court when Japanese military occupied the

International Settlement after the outbreak of Pacific hostilities in 648
December 1941. Under the extra-territorial system foreign resi- 633
dents were subject to the laws of their own country and tried in 692
consular courts. Russia relinquished her rights in 1924; Germany 722
and Austria lost theirs in the war 1914-18.

On December 8, 1941 when Japan attacked Great Britain and 648
the United States, the Shanghai Municipal Council agreed to carry
on its functions in the interest of the civilian population. At the 633
close of the year, however, the resignations of American, British 722
and Dutch members of the Council were requested. The British chairman was replaced by a Japanese chairman. In the eyes of the Japanese authorities the agreement reached earlier in the year as to the composition of the Council remained in force, but was considered suspended. The places of resigning members were not filled. The Council carried on with four Chinese, three Japanese, one German and one Swiss member. The international character of the Council was technically preserved.

The free exercise of authority by the Council was, however, restricted. During the first eight months of Japanese occupation more than 80 senior British police were replaced by Japanese, and Japanese came to occupy also the ranking posts in the Secretariat, in the Public Health Department and in the Industrial and Social Division. No major question could be decided by the Council without reference to the Japanese authorities, and, further, the Council was given instructions by the Japanese which it had to carry out. In short, while pursuing its normal municipal functions unhampered, it began to be an instrument of Japanese occupying forces.

It is clear that in a city whose administrative controls have 648
been so divided there would be complications in the carrying out 633
of the most elementary administrative tasks. For many years the dominant feature of Shanghai was its administrative disunity. The absence of plenary powers on the part of the Settlement at any rate created peculiar difficulties in dealing with problems inherent in large cities.

The authority of the Shanghai Municipal Council derived from the Land Regulations drawn up in 1854 and from Byelaws attached thereto. Later alterations did something to widen initial provisions, 648 but until the occupation of the Settlement by Japanese forces in 633 1941, this document, the Settlement's constitution as it were, remained practically unchanged. Any change in Byelaws required the consent of a special meeting of ratepayers with a stipulated quorum of the Consular Body in Shanghai, of the Diplomatic Body. Changes in the Land Regulations required approval of the Chinese Government. A Chinese Government which resented the existence of areas alienated from its control refused to contribute to the perpetuation of foreign administration by agreeing to changes in Land Regulations. Thus for several decades prior to 1941 the Council had to proceed under an archaic set of constitutional powers. It possessed no specific power to deal with labour and social issues. After the occupation of the Settlement by Japanese 722 forces and the consequent coming under Japanese direction of the 633 whole Council administration, pseudo-changes in the Land Regula-648 tions were considered. No final information is available on this matter, but presumably the form would be gone through of submitting them to a Council which was under Japanese influence, to a compliant Consular and Diplomatic Body consisting of Axis and neutral representatives, and to the Japanese-sponsored Chinese Government in Nanking, whose consent to changes could, it is assumed, be obtained. By this procedure a semblance of legality would be sought. Whether legally obtained or not, the Nanking-staffed First Special District Court in Shanghai would apply byelaws derived from newly assumed basic powers in the Land Regulations.

The Organic Law Governing Municipalities promulgated by the Chinese Government in 1930 by comparison granted wide powers to municipalities created by that Government. In particular, Sub-section 5, Article 8 of this Law gave to municipalities the power to administer and bureaucratically to enforce provisions relating to labour.

633 Possibly because of the lack of enabling byelaws, but possibly 364 also because concern with industrial and social issues came late in 744 China itself, the Council's consideration of certain types of social problems was late also. It was natural that the first municipal [625] emphases historically were logically on the maintenance of public order through police services; on the provision of public health services in a country where modern ideas of sanitation have lagged

and where virulent disease is endemic; on the development of 633
highways, sewerage and drainage systems; and, through franchises, 364
on the supply of public utility services. Thirty years ago, however, 744
it became evident that Shanghai was coming to be an important manufacturing city, and that a large industrial population would arise, brought to the city from rural areas by the hope of securing employment. The necessity, therefore, for concern with the social problems everywhere associated with a large industrial populace grew more urgent with the years.

In the 1920's first efforts were made by the Shanghai Munici- 633
pal Council to regulate industrial conditions with the attempt, in 466
1925, to obtain passage of a byelaw which would limit the age of commencement of work for young people to 10, rising later to 12 years.[1] Until April 1941 the limitations on the Council's powers necessitated the summoning of a special meeting of ratepayers (voters) to alter or to add to any byelaw which might permit the Council to exert authority, provided it were not incompatible with the Land Regulations. Two special meetings of the ratepayers in 1925 lacked the necessary quorum of voters. The byelaw could not be passed.

Chinese residents in the Settlement subordinating social to patriotic motives opposed the proposed byelaw, for they did not desire the extension of the Council's powers into realms not specifically provided for in the Land Regulations and existing Byelaws. The year 1925 antedated the rise of the Chinese National Government which was to show a lively concern in labour matters, and at that time the Peking Government took only a perfunctory interest in the regulation of industrial conditions. On political grounds even socially minded Chinese leaders in the Settlement opposed the Council's assumption of control over labour conditions, notwithstanding that the issue was a humane one of preventing the exploitation of children. Although under the Land Regulations, attendance and voting at ratepayers' meetings were prerogatives of foreign (i.e. non-Chinese) ratepayers, this Chinese point of view was nonetheless forcefully made known in the Chinese press which has always freely criticised the Settlement administra-

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[1] "Toward the Regulation of Child Labour," *Bulletin No. 1.* Joint Committee of Shanghai Women's Organisations, 1926.

633 tion. Foreign voters were not willing to force a measure providing
466 purely for Chinese social welfare in the teeth of Chinese opposition. Following the failure to secure the proposed byelaw, the Council decided that, until the Chinese authorities themselves moved to regulate conditions of industrial employment, it would make no further attempt to concern itself with these issues. Larger forces, however, were at work. While the Settlement authorities were
665 attempting to limit the work of children, the Kuomintang, the National People's Party of China, met in Canton and adopted a much more extensive platform of social measures. In the late summer of 1926 the Kuomintang army began its march northward from Kwangtung Province and, by March 1927, had entered Nanking, which was to be the capital of the National Government for the next decade.

633 Shortly after, a unified Kuomintang-sponsored Chinese government came into control of the metropolitan area of Shanghai with the exception of the foreign-administered International Settlement and French Concession, and the Extra-Settlement Roads. A Bureau of Social Affairs, responsible for industrial conditions, was established by the new national government. Within two years of the failure of the Shanghai Municipal Council to obtain authorisation to regulate the employment of children, and its subsequent decision to await movement by Chinese government circles before attempting further action, machinery to introduce progressive action by the Chinese authorities had been made possible.

645 Between 1927 and 1932 the Ministry of Industries of the National
466 Government in Nanking promulgated a series of laws concerning labour. Among others these included a Factory Law, which regulated in general terms such matters as physical conditions and hours of work, wages in relation to living costs, compensation for accidents, termination of employment, factory councils and apprenticeship; a Labour Union Law; a Law governing Arbitration in Industrial Disputes; and others. The difficulty lay in the application of the code. Provisions regarding reform in factory conditions, for example, were so far reaching that early and complete conformity to the standards set could not be hoped for.

648 Moreover, the existence of the foreign-administered areas in
633 Shanghai raised jurisdictional issues. Since the Shanghai Municipal
466 Council was not specifically empowered under the Land Regula-
471 tions to regulate conditions of employment, the Chinese authorities

claimed the right to "inspect factories in the Settlement," aiming, 648
however, at eventual control of all questions relating to labour in 633
Settlement enterprises. The Council, on the other hand, held the
view that, because of fundamental differences in systems of admin- 466
istration of law, the operation of officers of the Chinese Govern- 471
ment in the International Settlement was not acceptable.[2] The fear was also entertained that, should regulation of industrial conditions be introduced into, and thoroughly enforced in, the Settlement, unequal competition would result with enterprises outside the Settlement where, it was felt, enforcement would be less complete. On August 1, 1931, when the formal statement of the Chinese Government declaring the Factory Act in force was published, there appeared also a statement by the Shanghai Municipal Council endorsing the principles of industrial regulation and indicating its intention of working toward safe and healthful working conditions. The outbreak of Sino-Japanese hostilities in January 1932 postponed the consideration of means to implement this general statement of principle until 1933, when it was decided to employ the Council's licensing powers to gain the desired ends.

In 1933, a special meeting of ratepayers was again convened, this time to change the general licensing byelaw (Byelaw 34)[3] to include industrial undertakings among the enterprises which the Council might license and hence regulate and inspect. This time the approval of the ratepayers, and subsequently of the Consular Body in Shanghai and of the Diplomatic Body in Peking, was secured by the Council. It then felt it had a constitutional right to license factories and, by this means, to enforce certain conditions. The Chinese view was still that such a byelaw was beyond the Council's powers under the Land Regulations.

The Chinese authorities in the metropolitan areas outside the two foreign-administered areas, having strengthened their position in the five years since the establishment of their municipal government, by now known as the Shanghai City Government, registered their protest at the passage of the amendment to the byelaw. In the eyes of the City Government the International Settlement was the "First Special District" and the French Concession the "Second

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[2] "Regulation of Industrial Conditions," *Annual Report*, Shanghai Municipal Council, 1933.

[3] *Land Regulations of the Foreign Settlement of Shanghai*, Shanghai Municipal Council.

471 Special District," areas temporarily beyond, but ultimately to be
648 restored to, its own jurisdiction. The claim was made that only the
633 City Government could regulate Settlement industrial conditions,
466 by enforcing the Factory Law of the Chinese National Government.

An event of importance to the whole problem of law enforce-
648 ment was the Court Rendition Agreement of 1930[4] between the
633 Council and the local Chinese authorities, which provided for the
692 return to complete Chinese control of the Provisional Court exer-
471 cising jurisdiction over Chinese citizens of the Settlement and
over those residents belonging to nations without extra-territorial rights. From the 1911 Revolution until 1927 there had been a Mixed Court under foreign influence, expressed in part by the sitting of foreign assessors with the Chinese judges in the hearing of cases. Between 1927 and 1930 a Provisional Court functioned, giving place in 1930 to the Shanghai First Special District Court, completely under the direction of the Ministry of Judicial Administration of the Chinese Government. The new agreement provided that the Court should exercise jurisdiction over cases brought in by the Municipal Police of the International Settlement and arising out of infractions of all duly enacted laws of the Chinese Government, together with cases arising from breaches of municipal byelaws. In limiting the laws which the Court would apply to those duly enacted by the Chinese Government, the agreement excluded the application of regulations promulgated by the various Chinese ministries.

648 Since the labour laws referred to above in each case state that
the competent authority is the municipal government in munici-
633 palities and the *hsien* (or county) government in *hsiens*, and since
692 the enforcing municipal authority in Shanghai recognised by the
466 Chinese Government was the Chinese municipal authority, it was
logical for the Court owing allegiance to the Chinese authorities to refuse to try a case brought in by a Shanghai Municipal Council organ under any of the labour laws.[5] In the eyes of the Court the

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[4] *Municipal Gazette of the Foreign Settlement of Shanghai*, 1930 volume.

[5] All possible means of using the Court as an instrument of enforcement under laws other than labour laws were explored. In 1939 seven workers were burned to death when an apprentice spilled inflammable thinner over a charcoal stove which the owner of the factory had been specifically instructed by Council officials to remove from the workroom. The Municipal Advocate advised that no case would lie under Article 276 of the Chinese Criminal Code which prescribes a five-year

Council was not a competent authority within the meaning of the Chinese Government acts. 648 633 ●

The matter was still further complicated by the fact that many owners of industrial enterprises in the Settlement enjoyed extra-territorial rights. While Chinese legalists argued that extra-territorial rights were of the person and not of the undertaking, in practice Chinese law could not be applied against foreign enterprises owned by those with these rights. At the same time the authorities of the countries with extra-territorial rights held in general that the labour codes of their respective countries did not apply in their Shanghai courts.[6] 692 466 471

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sentence or heavy fines for negligence causing the death of others by neglecting the degree of care required in an occupation. The proximate agent only is held liable by the Chinese Courts, and in this case he, in the person of the apprentice, was dead. A case was, however, instituted under Article 33 of the Law Governing Penalties for Police Offences, which prescribes detention or fine for one who "undertakes any work or business contrary to mandate or regulations." Judgment was obtained against the factory owner. When, however, later cases were instituted against other factory owners failing to carry out instructions, the cases were dismissed.

[6] Two cases were heard in the United States Court for China in which application of American law was involved. In the first, in 1936, the widow of a linesman brought an action for damages against an American company for alleged negligence on the part of the company which resulted in death by electrocution of her husband. The case was dismissed. In his judgment the Judge stated that cases similar to the one in question were now rare in the United States because of the almost universal adoption of Workmen's Compensation Acts. Counsel for the plaintiff suggested the novel possibility of the Compensation Act of the District of Columbia being applicable. This, the Judge stated, required study. But he expressed the view that "it may not be impossible, even in this difficult jurisdiction, through reasonable construction and elimination of unsuitable portions to preserve the substance of the law in some fair and workable system which would be welcomed by both employers and employees."

A second case arose later in the same year. A non-American employee of an American corporation slipped on the floor of the employer's premises sustaining an injury for which damages were sought in a common law action based on the theory of negligence. The plaintiff contended that the defendant company, not having complied with the Workmen's Compensation Act of the District of Columbia, was barred in this action from maintaining the defences of contributory negligence and assumption of risk. The defendant contended that the District of Columbia Workmen's Compensation Act was not applicable in the Shanghai jurisdiction on the grounds of inherent unsuitability.

The Court ruled that the literal compliance with the District of Columbia Compensation Act would be impossible in the Shanghai jurisdiction, but expressed its belief that the principle of the law of the United States should not be ignored. The judgment referred to the "congressional will manifest in the passage of the District of Columbia Compensation Act" and believed that the "Court might award remedies to injured employees consistent with the spirit and objectives of federal legislation."

Judgment was entered for the plaintiff in the sum of US $1,200.

The Court later temporarily withdrew its Opinion pending further study. It was later restored, and the amount of the award to the plaintiff increased to US $2,200.

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How was such a complicated situation to be dealt with? How could a way be found to improve industrial conditions through administrative action? Fortunately the personal relations between the officers of the Chinese City Government and those of the Shanghai Municipal Council were cordial, despite official differences in viewpoint. The Council welcomed the suggestion of the Shanghai City Government that negotiations should be undertaken to discover if a solution could be found to the impasse. Communications on the subject actually began prior to the special meeting of the ratepayers in 1933, and discussions were continued actively immediately after the alteration to the licensing byelaw which had been approved by the Shanghai Consular Body, and before it had received the approval of the Diplomatic Body in Peking. The licensing power, though it had been obtained, was not immediately invoked. It was felt that its use at the time would probably have brought to a head resistance on the part of Chinese industrialists and others. Moreover, if by negotiation a method might be found by which the requirements of the Chinese Government's Factory Act could gradually be applied in the Chinese Courts against citizens of nations amenable to these Courts, and through some other procedure to those of other countries, the status of the national law would be upheld: it would not be replaced by local regulations. A more comprehensive instrument than license was felt to be desirable.

Conversations extended over four months in 1933, but no agreement was reached. In 1934 the Director of the Shanghai Branch Office of the International Labour Office attempted to use his good offices to find a way out of the deadlock, laying useful foundations. Chinese Government delegates to the International Labour Conference in Geneva in 1934 and 1935 raised the question of a solution to the jurisdictional difficulty in Shanghai. Subsequently, the Director of the International Labour Office in Geneva met with government representatives of Great Britain, the United States, Japan, France and Italy, who agreed to discuss the problem with their governments.

Between 1935 and the outbreak of the Sino-Japanese hostilities in 1937, negotiations between the Shanghai Municipal Council and the Shanghai City Government continued. At one point it appeared that a *modus operandi* had been reached, whereby the Council,

under authority delegated by the Chinese authorities, agreed to 648
apply in the Settlement those portions of the Factory Act which 633
were enforced in Chinese territory. The Consular Body, however, 466
fearing that such an agreement would imply the partial abrogation 471
of extra-territorial privileges, stated that it could be made applicable only to industrial interests within the Settlement which were subject to Chinese jurisdiction—i.e. to foreign residents without extra-territorial rights, and to Chinese. In that case, the Consular Body held, there would be no objection to a clause stating that the Council would, with the consent of the authorities concerned, apply a similar inspection procedure to all other factories by means of the powers vested in the Council by the Land Regulations.[7] No real progress had been made in the negotiations by the autumn of 1937 when, as a result of Sino-Japanese hostilities, the City Government ceased to function and its personnel withdrew from Shanghai.

WHILE THE FRONT STAGE had been given over to negotiations, the Bureau of Social Affairs of the City Government and the Industrial Section, the organ of the Council which had been created to deal with the regulation of industrial conditions, had not been idle. The Bureau had exercised a considerable influence within the Settlement even prior to the 1933 licensing byelaw amendment, and it continued to do so. Its officials did not inspect industrial premises, but they were active in mediating industrial disputes which were frequent and often bitter. Even foreign owners of industrial enterprises, who were most vocal in insisting that inspection of factories should remain in the hands of the Shanghai Municipal Council, in the absence of facilities provided by the Council to assist them in the settlement of industrial disputes yielded to the force of organised labour and in some cases gladly accepted the offer of mediation by officials of the Bureau of Social Affairs. Furthermore, the Bureau established a Statistical Section, which began to collect basic information concerning wages and hours of work, and instituted an intensive study of the cost and standard of living of Chinese workers inside and outside the Settlement. This programme finally produced cost of living index figures which were to play an important part in the adjustment of workers'

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[7] *Municipal Gazette of the Foreign Settlement of Shanghai,* August 1936.

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earnings in the period of inflation following the 1937 hostilities.

The Council's Industrial Section worked steadily at improving health and safety in the Settlement's industrial enterprises. In its desire that nothing should interfere with a possible agreement with the Chinese authorities, it did not, prior to 1937, compete in the mediation of disputes but remained in the less controversial field of hygiene and safety promotion. The concentration of factories and workshops within an area of some nine square miles placed them within easy reach of inspection and made transport a much less difficult problem than was the case for the Chinese authorities, in whose extensive territory factories were widely scattered. While the frequent use of dwelling houses as factories and workshops in the Settlement limited the improvements which could be made, there was a general rise in standards between 1933 and 1937.[8] Trade by trade, a steady drive improved machine safety, safety in the use of pressure vessels, provisions for industrial hygiene, and general working conditions. Relying only on the general authority of the Council and on reason and good will, the Industrial Section used educational means to induce employers to take steps toward factory improvement. The Court could not be invoked, but considerable success was nonetheless achieved.

WITH THE OUTBREAK of Sino-Japanese hostilities in 1937, all industrial enterprises in the Settlement closed. In the western district Chinese and non-Japanese foreign-owned undertakings re-opened shortly after. Those in the eastern district, which was held by the Japanese Naval Landing Party, were in the area of heaviest fighting where blocks of Chinese-owned undertakings were destroyed. Five months after the hostilities had commenced, foreign-owned plants were found to be "islands in a sea of destroyed Chinese enterprise." Comparatively few foreign factories suffered much injury, but they remained closed until the spring of 1938. By the end of 1938 all foreign-owned and many smaller Chinese-owned plants in the eastern district had been re-occupied. Larger Chinese-owned plants were operated by Japanese occupiers. Although Japanese offers of restitution to legal owners with the object of co-operation in their management were made, there was little response by Chinese.

[8] See Chapter III.

A period of reconstruction ensued until the end of 1940. Much 727
of the money of the nearby provinces had found its way into
Shanghai banks during the early days of the hostilities. This money 471
early sought employment. There was a building boom in the 454
western district of the Settlement proper which had been free from 648
fighting and which was one of the few areas on the China coast 633
where Chinese industrial enterprises could develop without Japanese
control. In 1938 the Government of China retired successively
to Hankow and later to Chungking. Many Shanghai Chinese factory
owners, while rebuilding in Shanghai, were prepared also to
play their part in the industrialisation of interior China which was
to be so significant in the succeeding years. Their plants in
Shanghai were equally important for the war effort of Free China,
however, in the years that intervened between 1938 and the outbreak
of Pacific hostilities in 1941. While Hongkong remained 438
open as a port and until through Japanese instigation the Chinese 458
Customs in Shanghai in the autumn of 1941 prevented the export 722
from Shanghai of certain commodities including cotton goods,
very heavy shipments month by month left for the south for transport
into interior China. Much cargo found its way out of Shanghai
by canals and even by human transport, finally penetrating the
Japanese lines and reaching the western provinces. The importance
of Shanghai as a supply base during almost four years of war can
be recognized when the commodity situation in free China in
1942 and later is considered. There were never sufficient consumer
goods in the interior even when the trade channels from the coast
were open; but the worsening of the situation and the consequent
extreme rise in price levels date from the loss of Shanghai products.

In the western district Extra-Settlement area, in the enclaves 466
between Settlement-policed roads, hundreds of new industrial structures 471
began to rise on former vegetable gardens drained by tidal 633
creeks. Over their construction the Shanghai Municipal Council
could exercise no authority. These workshops and factories lacked 178
elementary sanitary provisions, and, because the flimsy buildings 648
were of inflammable material, fires were frequent. But as soon as
fire had destroyed a building, the indomitable Chinese small industrialist
began its reconstruction. Within the limits of the Settlement
proper, the reconstruction period was used as far as possible
by Public Works and Health Departments, as well as Fire Brigade

466 and Industrial Division to secure improved industrial conditions.
471 Two contrary tendencies were observed. Owners of destroyed enter-
178 prises, previously operating either in the eastern district of the
Settlement or in provincial cities, in many cases showed a dis-
633 position to take advantage of new construction to erect better and
648 more modern plants in the western district. Control in many of these cases was in the hands of younger men, trained in engineering schools abroad, sons of pioneer fathers who in earlier days had ventured into the field of industry with little capital and had succeeded. The new generation had new ideas. The other tendency unfortunately was in the opposite direction. Men who had lost all, and who were unable to accumulate capital with which to start again on a larger scale, began with very small undertakings in which good working conditions were impossible. Better, it could be argued, that workers should earn a livelihood than remain a charge on public charity, even if their working conditions were unsatisfactory to an enlightened administration. The Council's Industrial Section in these circumstances strove to persuade enterprises to conform to as high a standard as appeared possible in each case.[9]

In addition to these efforts at industrial betterment, the Shanghai Municipal Council, soon after the outbreak of hostilities, agreed to finance the continuation of the statistical work of the Bureau of Social Affairs of the former City Government. This proved to be a significant step, for it provided an accurate instrument by which the community could gauge the effect on the cost of living of the inflation and of the control of commodities after 1938. The Industrial Section also entered into the field of voluntary mediation of disputes. In 1939 and the early part of 1940 foreign-owned enterprises were affected by one strike after another. The deterioration of economic conditions in 1940 and 1941 created widespread unrest, involving public utility enterprises and many others. The mediation services of the Section were useful in the settlement of disputes and in laying the foundations for an important contact with labour. The Section concerned itself also with the basic question of technical training, organising experimental classes for adult workers which will be described later.[10]

[9] See Chapter III.
[10] See Chapter IX.

Because of this wider activity, the Council on October 16, 1940, 466
severed the former Industrial Section from the Secretariat and 633 ●
established a separate Industrial and Social Division.[11] Within the 648
Division there were created four Sections. They were the Indus- 471
trial Section, maintaining its concern with physical conditions of employment and including the Technical Training Service, which organised technical classes for adult workers; the Statistical Section, responsible for compiling indices of living costs of Chinese and foreign employees, and statistics of wages and hours of work; the Industrial Relations Section, mediating industrial disputes and concerned also with non-physical conditions of employment, including workers' earnings and compensation; and the Welfare Section concerned with hygiene in the factories, workers' food and housing, and factory medical services, with the control of rentals of lower paid sections of the community through a licence to sublet, and with child protection.

In April 1941, an Industrial and Social Affairs Committee of the Council was formed, composed of members chosen to represent varying national interests and differing points of view. There was no representative of Chinese workers upon it. The social outlook of neither Chinese employers nor Western foreign employers had yet seen the right of the worker to have his viewpoint represented; still less would such a view commend itself to Japanese. The most that could be achieved was to inject into the membership sufficiently liberal representatives who could be counted on to speak for the common man.

WHEN PACIFIC HOSTILITIES developed in December 1941, indus- 471
try, which throughout that year had met successively restrictions 722
and steep surcharges in the use of electric power, difficulties in 439
securing raw materials in the United States and elsewhere, controls [457]
in the purchase of foreign exchange to pay for imports, and a great shipping shortage, now faced a major crisis. The Japanese authorities required the immediate registration of stocks of essential raw materials—metals, fuels, lubricating oils, chemical products and many others. These were first frozen by preventing their movement. Those found necessary for the Japanese war effort were requisitioned. Later, permission to move stocks was granted to

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[11] In subsequent pages frequently referred to simply as the "Division."

to secure a better arrangement. Indeed, many employees of foreign 471
firms taken over by the Japanese had to accept, under threat, allow- 723
ances considerably short of this scale. [466]

Thus very soon after the commencement of the Pacific hostilities, the former bustling industrial Shanghai died. The air, once polluted with the smoke of countless chimneys, cleared miraculously. Streets formerly grimed with coal dust became strangely clean. But these were improvements which boded ill for the people's livelihood. To the streets instead came to die many who could not find food or shelter.

Little detailed information is available as to conditions in 633
Shanghai after August 1942. But the social problems of the city 648
are substantially the same whether there is Japanese direction of the former administration or not. The Division will probably be forced during the period of isolation from the outside world, and through the proposed pseudo-changes in the Land Regulations referred to above, to use the Japanese-instructed Nanking Government Courts in enforcement. This may have one useful effect, that of removing those dangers of inequity and lack of evenhanded justice which exist when every factory engaged in the same trade is not subject to the same official scrutiny on the basis of clear regulations. The work of the Division in the last decade has shown that specific formal authority is not essential for useful achievement. The power of accurate facts has been very great. The appeal to reason has not been without result. While industrial conditions at the close of the decade were in many cases still thoroughly bad, within the limits of authority and capacity a not inconsiderable progress had been made prior to December 1941, laying the foundations of improvement in the lives and livelihood of workers in Shanghai.

CHAPTER II

SIGNIFICANCE OF THE BACKGROUND FACTORS

633 648 THE GENERAL ATTITUDE of the Chinese residents towards the international but foreign administration in the Settlement was a basic factor which had to be taken into consideration in the efforts to create a municipal instrument designed to achieve social progress. No patriotic Chinese citizen could approve a situation in which part of his country was alienated from the direction of the Chinese government, notwithstanding its prosperity and progressiveness in peaceful times, and however useful the existence of such areas had proved to the Chinese people in times of distress and civil disturbance. Until 1926 the membership of the Shanghai Municipal Council had been entirely non-Chinese: in that year Chinese councillors were chosen, taking their seats in 1928. In 1930 the number was increased to five. For those accepting seats to agree to associate themselves with the foreign administration, and for Chinese civic organizations to elect such members, meant a compromise with their national feelings, though this was perhaps tempered by satisfaction that the ranks had been opened to them. Though they had chosen to reside in the International Settlement in Shanghai it could be said of no large number of Chinese that they had any warm attachment to the administration which controlled it.

633 648 664 208 Relationships between the people and an administration are not a matter of remote and academic attitudes. They are the everyday contacts between the people and the employees of the administration at the level where the people live. They are the relations between the people and the individual members of the police force, with the health inspectors, with the building inspectors and so on. The majority of Shanghai municipal posts carrying responsibility were filled by foreign members of staff, chiefly of British nationality though with a sprinkling of Continental European, American and Japanese staff. In 1930, after one of the periodical staff surveys, it was accepted in principle that qualified Chinese would be ap-

pointed in greater numbers to senior positions. This decision was 633
somewhat slowly implemented. When the Japanese occupation of 648
the Settlement took place in December 1941 there were in the gen- 664
eral Council service still comparatively few Chinese of specialist 208
training. The total Chinese staff was nevertheless much larger than the foreign, comprising many in clerical grades and in lower police ranks. The majority of the Council's staff were men of high professional achievement and sterling character. This did not preclude the currency in the community of criticisms against municipal employees. It could be said also that there were residents who were ready to escape compliance with the requirements if they could.

Such attitudes toward the administration and its staff did not make easy the beginnings of a Division which found it essential to obtain the confidence of the people. Moreover, as the preceding chapter shows, the actual issue as to whether the Shanghai Municipal Council should exercise any controls over industrial enterprises and so over labour in the Settlement, was a political one over which feelings ran high. To the more or less passive resistance on the part of sections of the Chinese community to the foreign administration was added a specific resistance in the concern of the Council with Chinese labour matters, a reaction which was national and emotional in origin and was kept up by propaganda means.

The Chinese population in the International Settlement enjoyed complete freedom of expression. This freedom was exercised particularly in criticism of the Settlement administration. Through powerful newspapers and through a Chinese Ratepayers' Association a constant pressure was maintained on the administration, and this was by no means unaffected by it. It has therefore to be realised that a potent influence was exercised by the Chinese population thus vocal and free.

Important, too, when the creation of a Division with social aims 633
was under way, was the attitude of the Chinese residents toward 648
the social situation, as well as that of the Council. There was a general acceptance on the part of both of prevailing poverty. The Council's acquiescence sprang from the traditional interpretation of its responsibilities imposed in the charter of administration, the Land Regulations. It was argued, not without logic though perhaps at the expense of imagination, that the limited revenues available

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under the prescribed tax sources provided only for the furnishing of the bare elements of civic amenities such as peace, order and liberty and that there were insufficient funds to indulge in social welfare schemes and in the field of economic and social relief. The Council tended to balk at the idea of a small economic and social Utopia while surrounding areas remained immersed in poverty. But Chinese civic associations equally ignored the fundamental social situation. They were more concerned at the time with achieving political victories than with making social progress. Reluctance to venture into the field of China's economic ills was characteristic of Chinese Councillors as well as American, British and Japanese. Chinese Councillors were frequently men prominent in charitable work, some devoting virtually their whole time to organisations and institutions for relief. Yet few gave evidence of recognition of the possibility of attempting through municipal agency to make fundamental approaches, to do anything about the load of debt which burdened almost every family, or to ask themselves whether the wages paid by industry of whatever national ownership were high enough.

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WHEN THE COUNCIL, urged to do so by the political nature of the issue of the regulation of industrial conditions in the Settlement, decided to make a first appointment to its staff, it did not appear to be clearly seized of the exact nature or scope of the responsibilities on which it had embarked. It was generally accepted as the simplest course that the first emphasis should be on improving conditions of hygiene and safety in factories. No machinery in the shape of a special committee of the Council was set up to be the means of obtaining deliberation of the scope of the work, or to define the particular social problems which should be faced. This omission was later in practice found to have been useful. To attempt to have discussion of questions and arrive at a policy and programme, a method which would be considered to be most natural and useful in most circumstances, was found under the circumstances not the most suitable approach. Instead, those to whom the opportunity came to develop the work realised, after some initial mistakes in technique, that it would be necessary to work as quietly and unobtrusively as possible, taking advantage of this situation

here, avoiding making a mistake there, trying certain steps without 633
instruction,—and hoping they would succeed. If they did, they 466
could be gently reported in a monthly or annual report. If they were part of an adopted and printed report, the policy involved in these steps might be considered as not forbidden, and hence to be further acted upon. In the ten years of its existence the Council evidently found it preferable and expedient not to instruct or design the Division's development.

Several functions of the Division of considerable importance 633
were thus developed. Work in relation to mediation of industrial 466
disputes, to be described in detail in a later chapter,[1] was begun 625
without specific authority and instruction. Yet it was brought to a stage when it could exercise a considerable influence over livelihood, and where no major dispute occurred which was not mediated by the Division. In this particular instance, a quiet procedure was used because of the general position the Municipal police held. The police had been long established. To them, disputes were potential civil disturbances. They had for many years been the arbiters of strikes: but they had no conviction such as the Division held concerning the right of workers to collective action. Their province was more properly that of preserving the peace than removing potential causes of its breach. The method employed was, therefore, to use existing members of the Division staff to make experiments in mediation; when a dispute occurred to call on management to seek information as to its view of the dispute, to seek contact with workers and suggest that services in mediation by the Division's fair handling might be useful. It did not take more than a few months for a reputation to be built up among workers in a few enterprises. These, in turn, informed other workers, who, when they were involved in a dispute, called on the Division seeking its assistance. Similarly, employers for their part came to appreciate the services offered. Within a year its place was fully established. The confidence which was engendered proved the most potent influence in success. Because of the Division's greater specific knowledge of conditions of work and of understanding of the psychology of workers, the day came when the police recognised that their object of preserving the peace in industrial disputes could be served by inviting the mediatory services of

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[1] Chapter VI.

[1] [Industrial Division of the Shanghai Municipal Council -- Analyst]

633 the Division. It is doubtful if this success would have been achieved
466 if the substantial power of the police had been challenged by rais-
625 ing the question of a social approach to industrial disputes. Nor is it likely that a Council accustomed to listening to police warnings of possible civil disturbances if such and such a policy were instituted, would have upheld the views of a new social service against police objection. Instead, gradual successful practice of mediation at length established the theory of the appropriateness of the acquired mediation functions and the principle on which they rested.

633 It is admitted that in thus avoiding an open raising of issues the
466 Division lost that chance for educative work which the democratic
625 process would have given, in seeking, despite probable failure, to
467 establish recognition of the theoretical as well as the practical validity of the social aims pursued. But when discussion might have meant inaction, it was better to forfeit it. It was never politic to raise formally with the police, with any chance of success, a proposal that labour unions should be encouraged, the view which the Division held. From 1937 onward Municipal Police required the registration of all organisations. They reserved the right to refuse to register those whose actions in their opinion would not help to maintain public peace. They refused to register labour unions. They permitted the registration of "mutual aid" groups with common occupational interests, but if these attempted to act as unions in formulating demands, their registration was cancelled. Some police officials took the view that all leaders of their fellows in any concerted action, no matter how unsupportable the conditions of work against which they protested, were "agitators." On occasions when informal discussion took place with individual members of police in positions of authority, few could be brought to see that unions encouraged and registered, with accepted leadership, could be a factor in preventing the use of unions by less desirable elements. Their negative recourse was to deny unions the right to exist. As later chapters will show, this attitude did not prevent powerful worker action. It merely deprived workers and the community alike of proper instruments for mediation and the development of experienced and acknowledged leadership.

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466 In one issue where a discussion took place, the Division had to
511 wage not one but several campaigns to preserve for the community

the right to know what the situation actually was with regard to 633
the rising cost of living. After Japanese occupation of the environs 466
of Shanghai in 1937, the Council financed the work of producing 511
cost of living statistics begun by the former Chinese City Government.
Again quietly and without raising an issue, the Division's
figures concerning costs of living of Chinese workers were sent for
publication in the *Municipal Gazette,* these statistics appearing
monthly from October 1938. Early in 1940, when living costs had
begun to rise steeply, and when workers were clamouring for
wage adjustments, some operators of larger industrial plants
addressed the Council asking that publication of these figures be
discontinued. They were "misleading," it was argued, and the
cause of unrest among workers. The argument to show the "misleading"
nature of the figures was that they could not be correct,
because if they were, workers would not be able to live as they did.
The fact of the eternal load of debt on most working-class families
was incompletely recognised, and met with the objection, "who
would lend to workers unable to repay even their old debts?" Continuance
of the publication of the figures was, however, ordered,
after long discussion in the Council chamber. The Council showed
its ability to see the social significance of the statistics. In 1941 the
publication of cost of living figures was again challenged, but
again was ordered to be continued. In 1942, after Japanese occupation 633
of the Settlement, and the institution of a new currency 466
which the Japanese hoped would hide the continuously rising living 511
costs, a further effort, led this time by Japanese, was made to 722
cut off from the people any accurate information as to the economic
situation. Once again the Division succeeded in maintaining
publication of the indices even during Japanese occupation.

THE CREATION OF a qualified, devoted Chinese staff was from the 633
beginning considered to be essential and the pivot on which everything 466
else would depend. Experienced, wise Chinese men and
women with close understanding of problems and with a devotion
to people, were sought and challenged to submit themselves to
possible misunderstanding of their more nationally minded compatriots
by entering the Council's employment. If such persons
could be induced to use an administration they did not personally

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favour for the sake of its service to their own people, it was felt something might be accomplished.

First appointments were very carefully made. A Chinese engineer, who had "had his hands dirty," had worked in machine shops himself and had skills with machine tools, who had worked side by side with workers and could in a very real sense speak their dialect, was a first choice. A second was a Chinese woman graduate of a well-known Chinese women's college and of an American school of social work of national reputation. She had not hesitated, after her return from America, to take a post considered very humble in China as matron in a factory dormitory, in order that she might from this vantage point grapple with conditions of work in the factory. A foreign member of the staff was later to become internationally famous as the moving spirit in the development of Chinese Industrial Co-operatives in "Free China." He knew Chinese life intimately in Shanghai, and in the years 1933-38 materially contributed to betterment of conditions and converted many younger Chinese engineers to his outlook. These were early choices: they proved right.

A staff of four members in 1934 had, by 1943, grown to one of fifty-five. Only four of these were foreign, one being Japanese. Of five most important posts, four were filled by Chinese. From the beginning it was decided to create a staff almost entirely Chinese, though as previously noted in other Council departments most senior posts were filled by foreigners. The step was logical, seeing that the new Division was to deal with social issues, the life and livelihood of the Chinese people. Furthermore, the effort was successfully made to secure (with the exception of a small statutory differential between the remuneration of all foreign and Chinese staff based on the view that foreign staff members had commitments abroad) that Chinese and foreign members of the staff in the new Division be equally graded and receive equal remuneration. And again the aim was that there would be no differential between the emoluments of men and women members of staff doing work of equal importance, though this habit held in other Council departments. This intention also was successfully carried out, though sometimes in the face of opposition of those who failed to see why a qualified woman should receive the same grade and pay as a man.

These principles were the expression of the spirit with which the 466
work was begun and carried through: that Chinese and foreign 633
members of staff were equal partners in a high adventure. There 177
was a real comradeship based on mutual respect for the capacity and the motives of each individual of whatever nationality. The especially fine minds and wise judgment of Chinese colleagues, steadily creating their own work in their own fields, found appreciation among the foreign staff; the generous sharing of experience and the friendship of British, Austrian, Danish and Japanese staff members with their Chinese colleagues was equally welcomed. In short, a comradeship, consciously aimed at and greatly desired in advance in the early years of the Division's life, was achieved.

As members of the staff were sent out to make initial contacts 466
with factory owners in the early years they had one instruction: 633
to make friends. In the absence of powers of entry, with the possibility 471
that they would be refused, nothing could be done unless they could make themselves wanted. To a large extent the staff succeeded. As time went on and contacts widened, the Division staff earned an enviable reputation for knowledge in their field, so that they were welcomed on this account as well as personally. Moreover, the absence of power to enforce court action has some compensations. Staff members knew that on themselves alone and on the vigour they were able to bring to their work depended their success. Unless a factory owner could be convinced of the reasonableness and rightness of the request made, the possibility of obtaining compliance was remote. And, further, the lack of power to hale into a Court meant that it was seldom considered worthwhile by an employer to offer to suborn a member of the staff so as to escape the necessity of carrying out his requirements. The total effect of these factors was to give to the Division staff a satisfactory status in the community and a useful relationship with the majority of Chinese employers.

Foreign employers reacted somewhat differently to the Division's efforts. For the most part physical conditions were considerably better in British, American, German and Japanese plants than in Chinese-owned enterprises. In consequence in the efforts to achieve safety and better hygiene, less had to be done in foreign enterprises. Many western employers had the same attitude to "government

466 interference" as employers in their home countries had entertained 633 decades before. Both western and Japanese employers knew that 471 no specific power lay in the hands of the Council to enforce standards. But in general they, too, welcomed the Division staff, submitted with good grace to suggestions for improvement, and carried out the recommendations made. Japanese employers were punctilious in installing safety devices suggested. They were not unwilling to meet Japanese standards in safety and hygiene generally. But neither Japanese nor Western nor Chinese employers were ready to consider modifications of hours of work, or rest days, matters in which—especially in the textile industry—reform was greatly needed.

In the absence of enforcement powers it was sometimes necessary to use something more than sweet reasonableness. A Chinese member of staff would report inability to secure compliance from a Chinese factory owner. Then the device of sending a foreign member would be resorted to. Or a foreign member would report he could do nothing with a certain Chinese owner: and the device of "changing the record," sending a Chinese voice, would be used. Or a man member of staff would fail; and then the eloquence of a Chinese woman, to which no mere Chinese man can stand up, would be used. Or again, failing to achieve success by talking on the premises of the industrialist where he was at home, he would be invited to the office of the Division, and, strangely, would most frequently comply. Then the staff, being in turn at home and hence with a psychological advantage, would urge its point of view. In most cases and by the use of one or other device, success was recorded. It cannot be denied, of course, that this was achieved at the expense of much effort, much waste effort, which the possession of ordinary powers of enforcement would have made unnecessary. It is thought, however, that more education was done through the means that had to be adopted than would otherwise have been the case. The one basic principle was belief that always there was *some* way in which a situation could be bettered.

466 EVENTS DURING THE decade in which the work described in this 633 monograph took place induced a certain change in general attitudes. When, in 1940, it was decided to set up a regular Council committee to be concerned with the Division's work, a Councillor

in commending the progress made stated that the Division had brought the Council into close touch with the people and with their problems and had thereby performed a great service. For, as subsequent chapters will show, the steady rise in the cost of living from 1938 onwards, and the necessity of a continued concern with the supply of the people's rice, had stirred into action a Council previously more remote from general social issues. In their own businesses, whether commercial or industrial, Chinese and foreign Councillors who were employers were beset with the claims of their employees that their earnings be adjusted to meet rising living costs. In their own homes they faced the problem intimately with their own servants. Aloofness faded before the new difficulties in every-day life. Employer and employee, master and servant alike, had difficulty in maintaining even a shadow of the former standards of living, particularly after December 1941, and this common adversity begot a better general understanding of what livelihood for the Chinese worker in Shanghai meant.

Political, economic, psychological factors had their play and interplay in the decade when the Division sought first to function. Let us now examine some of the issues it faced in greater detail.

466 scribed later[3] applied equally and similarly to the small industrial enterprises, since these were housed in dwellings which were the homes of workers and others. Some enterprises were so small that they occupied only one room of what originally was a four-room house, the remaining rooms being the homes of families or other small workshops.

466 G33 Conditions of this kind present authorities with almost insuperable problems in securing safer and more healthful conditions of work. Even if there had been unassailable instruments by which the proper departments of the Shanghai Municipal Council could have instituted court proceedings to enforce reasonable standards, the actual attainment of better industrial conditions would have been extremely difficult. When, as was often the case, enterprises were without sufficient space in which to install machine guards, lacking all sanitary equipment, with so little capital that the cost of improvements of any kind was prohibitive,[4] then the responsible authorities were confronted with this dilemma: is it better to permit employers to carry on unbelievably small or badly operated enterprises, endangering the life and health of those who work for them, employing them grievously long hours for very small remuneration, or should the authorities insist upon the closing down of such ventures because they cannot conform to even the most elementary standards of safety and hygiene? Frequently Council officials had grimly to suppress their feelings of sympathy when the existence of a completely insupportable situation, in which the lives of many were being risked, forced them to insist on the abandonment of an enterprise. Saving lives by closing dangerous trades meant destroying a source of meagre livelihood—a bitter decision.

FOR THE FIRST SEVERAL years of its existence the Industrial Division's sole concern was with physical conditions in industry. Since there was no legal instrument of enforcement, reliance had to be placed largely on the tact of first-class personnel whose educa-

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[3] See Chapter VII.

[4] Though individual plants may have had small capital resources, there was capital in the city. There were individualistic tendencies, however, which resulted in many small undertakings being opened with poor working conditions, comparatively costly working, inducing the use of child labour and frequently ending in suicide for the enterprise.

tional and moral influence could induce employers to remedy 633
unsatisfactory situations.[8] It is to the credit of those who worked 466
in the early days that, undismayed by the size and difficulty of the task, going daily into back alleyways where very bad conditions existed, they attacked the worst of these and frequently eliminated possibilities of almost certain death by the changes which they were able to secure. Taking industry by industry, as opportunity presented, efforts were made to remove the most obvious dangers associated with their operation.

Less than two months after the first official was appointed by 633
the Council to deal with industrial conditions, there occurred the 466
worst industrial tragedy in the history of the city. On February 295
21, 1933, an explosion followed by a fire in a rubber shoe factory caused the deaths of 81 persons, 76 women and five men. The cause of the explosion was not definitely established. In all probability it occurred in a vulcanizer in which rubber shoes were "cured." Gasoline fumes driven off by the heat probably reached a potentially explosive degree of concentration, and a spark was perhaps supplied by the dropping of a steel frame inside the steel shell of the vulcanizer. There is still the possibility that the explosion was caused through faulty electrical installation in the dipping room, where rubber shoes were covered with a varnishing mixture containing a high percentage of gasoline. Here also a suitable concentration of gasoline fumes in the air could have produced an explosive mixture. In any case an explosion and fire occurred. Working at benches in the room immediately above the vulcanizing room were some 250 women, also using gasoline as a solvent and thus in an atmosphere charged with fumes. The fire spread with such rapidity that they were unable to escape, and the wooden floor on which they worked collapsed shortly into the inferno below.

This tragedy drew attention to general conditions in the rubber shoe industry which had grown swiftly in the preceding years. In 1933 there were 26 rubber shoe factories, all of them using gasoline freely without even the most elementary precautions. Some were grossly overcrowded and unable to provide adequate exits for the hundreds of women working on the shoe-forming process. Though without the legal power to do so, Industrial Division officials

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[8] See Chapter II.

633 466 295 through sheer insistence succeeded in closing six factories where it was found impossible to effect improvement. The remaining twenty were radically reformed. Among transformations which had made the whole industry reasonably safe by 1937 were the isolation of processes where gasoline was used, so that if a fire were to occur in one place it might not spread; the installation of proper electrical fittings for fume atmospheres; the inspection by qualified engineers of boilers, vulcanizers and other pressure vessels; the provision of adequate exits; and the installation of exhaust ventilation. Many owners built and occupied new premises. It was unfortunate that the hostilities in 1937 destroyed some enterprises and damaged many others where higher standards had been established.

The story of this particular industry has been related in detail since it is typical of the work that had to be done under conditions where no previous regulation had existed. Wherever it was possible to do so, in a wide range of industrial processes, standards were raised. But, as will be shown later, many fires and explosions occurred during the course of the improvement programme.[6] It almost seemed as if, as the efforts at betterment were being made, tragedies occurred to supply concrete evidence of the dangers. They assisted in the development of a public opinion urging action to prevent them. They were an added spur, if one were needed, to the efforts of those responsible for securing action. It can be asserted that the occasions so sadly presented were not lost. They meant renewed efforts by those whose aim was the elimination of the hazards which caused the tragedies.

633 466 Less obvious to the public perhaps but as serious to the workers were the health hazards which efforts were also made to eliminate and which are referred to later in this chapter.[7] A difficulty confronting the authorities lay not only in obtaining an initial compliance on the part of employers. Action could be secured finally, after sufficient insistence, by exploiting something of a nuisance value in repeated visits to offending factories, or, otherwise, appealing to the better nature of employers. Securing the permanence of the better conditions induced required further insistence. Mechanical installations for the removal of metal dust from polish-

[6] See page 38.

[7] See page 39, ff.

ing plants or of fumes from chrome-plating vats cost money to run; motors to drive the fans had to use electric current. It was cheaper to shut them off when the inspector was not about. Unfortunately, workers had, for the most part, little comprehension of the less obvious aspects of industrial hygiene; only when experiencing actual discomfort were they likely to insist on the operation of the apparatus.

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Industrial accidents were both frequent and serious. This was to be expected in plants where congestion and generally haphazard operation and management in themselves contributed to the dangers always associated with the operation of power-driven machinery. Machine guards were almost universally absent even in factories owned by foreign nationals who in their own countries would be required by law to install them. The number of fatal accidents between 1934 and 1941 averaged approximately 100 annually, while serious accidents reaching the attention of the Division numbered about 1,500. In the absence of a routine compulsory notification of industrial accidents, it may be assumed that the actual numbers were far in excess of these figures. Information concerning accidents came largely from the hospitals where the injured sought aid and from police and municipal ambulance services, and the figures cited under these circumstances refer for the most part only to the more severe cases.

Using information from these services, the Division from the inception of its work inspected the scenes of as many accidents as possible in order to instruct the occupiers of the premises in preventive steps. Even without statutory power of enforcement, much was accomplished in achieving safer conditions of work by thus seizing the psychological moment when even an otherwise indifferent employer was shaken by an accident, perhaps a fatality. Nevertheless, after several years of endeavour, whole factories were still without proper safety installations. Even if there should have been authority to compel the adoption of necessary safety measures, nothing short of individual inspection and instruction would have induced installation in the majority of cases. The concept of law as something to be obeyed because it is law was not prevalent.

IF THE OUTBREAK of hostilities in 1937 destroyed much of the advance which had been made, the reconstruction period from

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1938 to 1941 presented unique opportunities which Council officials seized eagerly.[8] Better standards and more suitable installations followed the erection of hundreds of new plants. The required submission of plans to the Building Surveyor of the Public Works Department under the Council's Building Rules gave many opportunities for contact with factory owners in the early stages of the development of their projects, and permitted the exercise of considerable influence upon what emerged. The destruction of his plant had in some instances deprived a factory owner of his resources and had driven him into beginning again on a small scale with all the disadvantages of the small enterprises previously described, but it also produced a counter-tendency. Those who were able to obtain capital for rebuilding frequently constructed anew on a modern plan, thus realising at one stroke the improvement which would have taken a considerable time in their former, destroyed plants.

The reconstruction took place at a time when newer industrial thinking among some Chinese factory owners prevailed. The generation of Chinese pioneers who had entered the field of modern industry in the first two decades of this century had done so with little fundamental understanding of mechanical operations. The waste which has occurred in Shanghai factories in the last forty years from a lack of understanding of elementary principles of industrial operations must run into large figures. If machinery ran and if goods were produced—that was enough. The fact that machinery was misused, abused, wastefully operated, or rendered useless in a short time mattered comparatively little to men who had poor understanding of machinery or of its care and upkeep, and whose economic thinking for the most part was geared to immediate "profits" rather than the long-term remunerativeness of investment.

In many cases these older entrepreneurs had given their sons educational opportunities which they themselves had lacked, such as engineering training in universities in China and abroad. In the 1920's and 1930's the numbers of qualified Chinese engineers returning from abroad had grown considerably, and they were filtering into industry. Following the 1937 destruction there were enough well-trained engineers to undertake the planning of the

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[8] See Chapter I.

new enterprises in a manner vastly different from that in which 633
the first industrial efforts had been embarked upon. The Division 466
took full advantage of the opportunity thus presented to co-operate 178
with the more modern-minded Chinese industrialists. Every correct installation, every new advance in standards of excellence represented an achievement which, as time went on, others in the same field could be challenged to imitate. In consequence the Settlement industrial scene by the time Pacific hostilities broke out in December 1941 was, in part, one in which newer ideas and concepts had begun to prevail.

A conspicuous example was in the silk reeling industry. Prior to 633
the outbreak of the 1937 hostilities, the Division had used its influ- 466
ence to obtain the closure of several of the older filatures in the Set- 464
tlement. Many filatures were owned, not by those who reeled the 178
silk, but by property owners who had installed crude reeling
machinery and let the premises season by season to men in the 288
reeling business. It was small wonder that the conditions were appalling. A depression in 1935 helped to convince the owners of old plants that the time had arrived to put their land to better use, and demolition of several filatures followed.

Thus at the outbreak of the 1937 hostilities there were only two silk filatures in the Settlement. New filatures had been built instead in nearby provincial cities, where there is less general congestion because land is cheaper. Skilled reelers no longer left their cities to come to Shanghai for the reeling season. But when hostilities spread into the hinterland of Shanghai, and the city became one of the few places where Chinese-owned industry might operate freely, there sprang up in 1938 no fewer than 46 steam silk filatures. The reeling of silk from cocoons demands in the first instance the freeing of the filament by boiling in water, and cocoons have to be soaked continuously in very hot water during the whole of the reeling. Old-type silk filatures contained long double rows of basins. In one row, where the water was kept actually at boiling point through steam pressure, small children beat cocoons so as to free the filament; and at the other sat women, handling extremely fine threads usually reeling from five cocoons to produce one thread of reeled silk. Tiny children stood for an eleven-hour day, soaked to the skin in a steamy atmosphere hot

464 even in winter, their fingers blanched to the knuckles and their
466 little bodies swaying from one tired foot to the other, kept at their
● 633 task by a stern overseer who did not hesitate to beat those whose
attention wandered..

178 The erection of many new filatures was the occasion to insist
288 on a reform which had two objectives. Owners were required to
install a "central boiling system," apparatus outside the workroom where cocoons were boiled. As a result, cocoons did not need to be beaten by children in actually boiling water, and cocoons needed beating less long. Though children still were used, there was some mitigation in the conditions of their work. In every one of the 46 steam silk filatures which commenced operations, success in obtaining installation of a central boiling system was achieved. And this reform was accomplished, not through legal compulsion, but through the influence of a Chinese woman factory inspector who was respected in the silk trade for technical knowledge previously gained in a Wusih filature.[*] She had reformed the operations of that filature in several ways, thereby influencing the entire silk trade in Wusih. And when hostilities drove them to Shanghai, Wusih owners and others were willing to take her direction and advice.

A second advance was made in the installation of more modern machinery known as the "slow reeling system," which dispenses with the necessity for beating the cocoons after boiling. As a result, no children need be employed. Two filatures installed this type of machinery. One, the most modern and best managed, was owned and operated by a Chinese woman. Other filatures were persuaded to experiment in the installation of a mechanical stirrer, which also had the effect of eliminating the work of children. Models of a mechanical stirrer were developed with the encouragement of Council officials by one of the new machine shops equipping the majority of the new filatures, three of which installed the device. Production was found to be improved thereby in one instance.

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[*] Before the outbreak of hostilities, Wusih, a city some 70 miles distant from Shanghai, was an important industrial centre where all enterprise was Chinese-owned and operated. Flour and cotton mills and silk filatures represented the most important industries. Located in a sericultural area, with a supply of soft water particularly suitable to the reeling process, Wusih was well situated to be a silk reeling centre. The earliest modern silk filatures in China using the slow reeling process developed in Japan were in Wusih.

The experiment could not be carried out to its logical conclusion, 288
however, because after the spring of 1939, when the Japanese 722
instituted controls over the cocoon output in the provinces, it became increasingly difficult to obtain cocoons from these areas. By the end of 1940 only two or three filatures were still operating, and the spring of 1941 saw very few cocoons reaching Shanghai.

DESPITE THE LACK of legal powers, it proved possible radically 633
to reform the manufacture and operation of steam pressure vessels. 466
Prior to 1936, when the institution of controls began, local boiler 375
yards manufactured boilers almost exclusively from metal plate of unknown quality and test, and from designs which did not conform to accepted standards. Neither owners nor workers in the boiler yards had the necessary knowledge for an engineering task requiring special training. The result was that hundreds of initially unsatisfactory boilers had been installed. Regular inspection of them was unknown. Explosions were frequent, at times accompanied by loss of life; and the wonder was that they did not occur almost every day.

In 1936 the Council adopted rules governing vessels and systems under pressure, and for the registration of boiler yards. By the rules all local boiler yards had to employ the services of a Council-approved boiler surveyor who would design and supervise the construction of all vessels. Boilers had to be inspected and registered. Thereafter annual re-inspection was required. A roster of qualified engineers of all nationalities was obtained with the assistance of a specially appointed Boiler Board.

Although the regulations carried no penalty clause, it proved possible to apply them to a very considerable extent. All of the 34 boiler yards in the Settlement were registered, and no boiler after 1936 was manufactured or extensively repaired in them unless a permit therefor had previously been obtained. Qualified boiler surveyors supervised the construction and repair, and submitted copies of certificates describing the metal plate used. Considering the steep rise in the price of imported steel during those years, a result of higher world prices and the lower exchange value of the Chinese dollar, it is noteworthy that tested steel became universally used in pressure vessels manufactured in the Settlement.

G33 There remained much to be done before the goal of regular annual
466 inspection of all pressure vessels could be achieved.[10]

375 In July 1940 licence conditions under Byelaw 35 were instituted as a measure to control the use of celluloid and allied substances.[11] In 1939, twenty fires had occurred on premises associated with the
466 use of these substances, involving the loss of 28 lives (50 per cent of
G33 all deaths in factory fires during that year), and an additional 35 persons were injured. In 1940 there were 15 fires with five deaths in factories using celluloid and cellulose spray paint. Many very small enterprises, operating on domestic premises and manufacturing such items as spectacle frames, combs and small toys, constituted a real danger. Cellulose spray painting operations were widespread. Use of a portable spray gun makes this type of work possible on all kinds of premises. The Division required installation of suitable exhaust ventilation in factories using cellulose spray paint and refused special "hazardous goods licences" for spraying operations in unsuitable premises. Progress was consequently made in removing this particular danger.

From July 1941, all enterprises handling hazardous liquids as alcohol, ether, amyl acetate, etc., also became subject to licence. When mixed with air in certain proportions, these liquids are explosive in addition to possessing inflammable properties. With the licence system, factories manufacturing alcohol, and others using gasoline as a solvent in the manufacture of rubber shoes, or amyl acetate as a solvent in the handling of celluloid, were brought under the control of the authorities. Failure to comply with requirements rendered a factory occupier liable to legal prosecution, but the comparatively small fine applicable was but a slight deterrent. Only after several court charges could Article 18[12] in

[10] By the end of 1940, 1,167 pressure vessels (including 969 boilers) were registered, and the Council's identification number had been stamped on 613 of these. In 1940, 440 inspection certificates were executed by Council-approved boiler surveyors. The 1941 figures showed a small improvement.

[11] Byelaw 35 reads: "No person shall keep, store, sell or manufacture any firearms other than those used solely for sporting, volunteer or police purposes, or any dangerous or inflammable materials, namely those which on account of fire or explosion may endanger life or property . . . or carry on any dangerous or hazardous trade . . . without a licence first obtained therefor from the Municipal Council, and in the case of a foreigner countersigned by his consular authority."

[12] The Article reads: "Prohibition of business may be ordered when the offender is found guilty of recidivism in respect of a similar offence."

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the Law Governing Penalties for Police Offences be applied, thus compelling the backslider to cease operations.

Following the outbreak of Pacific hostilities in December 1941, with consequent cutting off of sources of supply of imported commodities, many enterprises attempted the manufacture of chemical products otherwise unobtainable. About twenty small plants manufactured caffeine from tea dust. In this, chloroform is the usual solvent, and in its use there is little danger from fire. When stocks of chloroform became short, the use of alcohol as a solvent began, and the alcohol had to be at a high temperature for the process. Alcohol itself being under strict Japanese military control, Chinese rice wine was used, its alcohol content being stepped up by distillation. In July 1942, a faulty coil installed in a still caused its explosion and the death of eight persons and serious injury to seven others from alcohol burns. No case appeared to lie in the Court for negligence under the Criminal Code.[13] An action for operation without a licence resulted in a fine of $1,500, an amount quite insufficient in view of the serious loss of life.

The process of bringing any one group up to the desired standard proved a long one, especially when the requirements for even minimum safety standards are so extensive. Guarding of machinery, provision of adequate stairway and doorway exists, installation of mechanical exhaust in the case of harmful dusts and fumes, proper sanitary provisions—all these it takes time to obtain.

THE RANGE OF ENTERPRISES where progress was made in bettering conditions of work through removal of dust or fumes from the atmosphere is considerable. The list includes flannelette, cotton waste, toothbrush, feather-cleaning and seasoning-powder factories, cotton, paper and brass rolling mills, rubber plants, and plating and polishing shops. Not all enterprises among the types mentioned were brought under supervision, but conditions in at least some of each type have been bettered.

Conditions in plating and polishing shops were particularly bad. Chromium salts cause serious ulcers, and the fine mist which rises from the plating vats during the passing of electric current through the solution to plate metal articles can cause piercing of the nasal septum. The crowded working conditions in the small enterprises

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[13] See Chapter I, page 8, note 5.

633 466 where most of this work was done, and the absence of suitably impervious flooring which would enable the chrome salts to be removed from floors, frequently caused workers able to afford only cloth shoes and without protective covering for the legs to develop bad ulceration of the limbs. Once a skin lesion occurs, the generally insanitary conditions contribute to its aggravation. By 1935, as a result of insistence by the Industrial Division, no known plating vat of the more than fifty shops engaged in this type of plating was without suitable exhaust to withdraw fumes, thus reducing the danger of pierced septa. Efforts were made also to insist that workers should wear rubber gloves and leg coverings.[14] The polishing of metal articles with carborundum powder on cloth wheels in the plating shops constituted a further health hazard, because of the workers' inhaling and swallowing metal dust. The installation of an adequate exhaust to remove the dust at the point of origin was both expensive and physically difficult in the crowded conditions of many under-sized premises.

751 466 633 744 There are specific health hazards in industry such as those which have been mentioned—the use of chromium salts, the handling of lead in charging storage batteries, in typefounding and in printing shops, in the use of cellulose spray paint and so on. But the general insanitary conditions probably constituted a greater total health hazard for the whole body of workers, and the practice of giving food as a part of earnings was often responsible for widespread dietary deficiency diseases if the food lacked essential vitamins. The nutrition problem in factories is discussed in a later chapter. The Division accordingly felt the necessity of organising services to ensure that there was regular concern with the general sanitary conditions on the part of those employed by the industrial enterprises themselves. The occasional inspection visit of a factory inspector was quite insufficient to secure regular consistent supervision in such elementary matters as the provision and proper care of sanitary accommodation, the clearing away of accumulated rubbish, the daily cleaning of premises, or the washing of windows to permit the entrance of light to working places. Some factories, particularly the larger cotton mills, had for some time employed a doctor or a nurse or both. But these were seldom personnel of first class calibre, and they saw their task narrowly as being con-

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[14] See also Chapter IV, pp. 66 and 67.

cerned with sick employees only rather than concomitantly in 751
insisting on healthful conditions of work. These doctors and nurses 466
were gathered into conferences by the Division and under its 633
influence their concepts of their tasks widened. Their authority 744
in the plants grew, backed by the interest and authority of the medical officer in the Division.

But there were many plants which could not afford the full-time services of a doctor and a nurse, and no measures of a health insurance nature made available a health service for the community. Facilities in outpatients' departments in hospitals were not sufficient in Shanghai to meet all the needs, and only in rare cases were they made use of for the dressing of wounds or for minor ills of industrial workers. Distances were too great; loss of wages in attending outpatients' clinics were deterrents to most workers. Yet many who continued to work were in need of help. Many women engaged in textile operations had large sores on the legs. Originally perhaps caused by the bite from an insect—bed bugs infest most houses—they had become infected, and the long standing at a spinning frame or at a loom aggravated the lesion and prevented healing. Where were women employed in the smaller textile plants to get attention? Where could the initial stages of beriberi be detected, and how could the management of a factory be warned to improve the diet of the workers?

The machinery which was evolved to give workers in smaller factories some clinical assistance, to arrange regular physical examination of workers and regular supervision of the sanitary conditions was the co-operative clinic. Three had been organised up to August 1942. Two were clinics with a fixed location, centrally placed in relation to some 25-30 factories employing 2500 to 3000 workers. There a doctor and nurses were in attendance and workers came for attention. The third was a mobile clinic; a nurse made the round every day of a group of related industries in a neighborhood. This clinic served six coal briquette factories, and so successfully that a seventh asked that the nurse's services be extended to that enterprise also.

The clinics were controlled and financed by the contributing member factories, with the Division's medical officer as adviser. The cost in August 1942 was CRB $1.50[15] per month per worker,

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[15] See Chapter IV, note 2.

751 with an entrance fee of CRB $3 per worker. The members of the
committees which met regularly to consider matters in connection
466 with the clinics became by this very process more and more
633 informed and interested in the health of their employees. Con-
744 tributing factories, paying for service, wished to receive a return. They therefore welcomed the inspecting visits of nurses and doctors and generally complied with their suggestions.

Records of the incidence of sickness were kept by factories employing their own doctors and nurses and by the co-operative clinics. These records were regularly analysed by the Division. It was apparent that dietary deficiency diseases constituted the most frequent cause of illness among workers. Injuries to limbs were next on the list. Eye diseases including trachoma were frequent.

The co-operative clinic was also the centre from which managements could be taught the principles of proper feeding for workers, and workers could be taught some of the elementary principles of health. In a severe cholera epidemic in the summer of 1942, in addition to arranging for the inoculation against cholera of all workers in contributing factories, one clinic gave 1,500 workers associated with it instructions as to the cause of cholera.

466 To a western observer a discussion of industrial conditions
633 must surely refer to hours of work and rest days. While without legal authority it was possible to improve physical conditions of work, particularly in respect of safety and health issues, and to exercise influence upon the earnings of workers, compensation paid to them and so on, it was not possible to limit hours of work in the absence of a legal power to do so. In consequence, no progress has been made in this important phase of conditions of work. It may seem strange, too, to read that no control was exercised over the commencing age of work of young people, seeing that as long ago as 1922, twenty years since, the Council had, in response to public demands, appointed its Child Labour Commission.
464 There are fewer children at work now than there were then. They
633 are seldom met with in cotton textile mills which have of themselves found that the work of children is not good enough. But the fact must be admitted that, in the absence of legal compulsions, except in a few instances where the influence of the Division has induced the elimination of children in certain industries, as a general practice child labour still exists.

465 owned enterprises were considerably higher. Calculated upon the
434 July 1941 Revised Index of cost of living of Chinese workers, the real wage index was 53.64 in 1941 and in foreign-owned plants
511 53.39. That the real wage position was not worse was due to the
458 sincere efforts of industry to make as substantial adjustments as possible. The following table shows the real wage indices in Chinese-owned plants since 1930.

INDICES OF ACTUAL EARNINGS, COST OF LIVING (REVISED), AND REAL WAGES
1930-1940[9]

New Base: 1936=100

	1930	*1931*	*1932*	*1933*	*1934*	*1935*
Actual earnings	106.95	107.34	106.08	103.21	98.10	90.49
Cost of living (revised)	108.75	106.63	100.64	92.32	92.52	93.45
Real wages	98.34	100.67	105.41	111.80	106.03	96.83
	1936	*1937*	*1938*	*1939*	*1940*	*1941*
Actual earnings	100.00	84.83	92.38	119.09	242.47	467.65
Cost of living (revised)	100.00	119.09	155.28	202.99	430.61	871.89
Real wages	100.00	71.23	59.49	58.67	56.31	53.64

The index figures of cost of living of Shanghai workers, as earlier stated, were based upon the work of the former Shanghai Chinese City Government, whose continuance the Council assured after that Government's withdrawal following 1937 hostilities. It was not clearly seen, at the end of 1937, that these figures would assume importance in subsequent years when declining dollar values destroyed previous earnings standards. The regular monthly publication in the press and in the *Gazette,* official publication of the Council, of amounts in dollars which must be available to cover the family's living cost proved useful in helping in adjustments of earnings. The Division was consulted on many occasions by both Chinese and foreign employers and asked to make concrete recommendations as to the actual amounts which should be paid.

465 In addition, the work of mediation in industrial disputes which was a regular activity of the Division was important in assisting
633 wage adjustments. While some employers forestalled otherwise inevitable labour disputes, anticipating them through raising earnings when significant rises in living costs appeared, others, perhaps in some cases in less satisfactory financial situations, and unable

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[9] Indices derived from the "New" Index based on December 1941-January 1942 studies, were not available in August 1942, the date of last contact with Shanghai.

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to take precautionary steps, found themselves confronted with demands by workers for wage adjustments. Though by no means the whole number of disputes which occurred in 1940, 111 cases were mediated by the Division in that year.

In 1941, 138 disputes were mediated, 57 strikes, 81 cases of unrest in which cessation of work was avoided. In 1940, 431 establishments and 35,000 workers were involved; in 1941, 245 establishments and 45,000 workers. Among the latter 176 establishments were under Chinese management, 45 British, 19 American, three Swiss and one each under German and Russian management. Sixty-five per cent of the cases involved earnings. In the majority of these, settlement was obtained through the granting by employers of increases, whether in the form of wage increases, percentage cost of living allowances, rice or commodity allowances, payment of rice in kind, bonuses, or other devices to achieve the desired end.[6]

Hence, although the authorities lacked legal power to enforce an announced minimum wage or to require submission of industrial disputes to the administration, the actual existence and publication of regular information on minimum living costs and the provision of facilities for independent mediation by the Industrial and Social Division proved useful in adjusting difficulties caused by the steep rise in living costs. Indeed, the power which accurate information can exert in its own right, and the influence which voluntary mediation can also exercise was amply shown in the difficult period in Shanghai since the outbreak of hostilities in 1937. While obviously there was no universally satisfactory adjustment, and while poorly organized, under-capitalized enterprises continued to employ workers at rates inadequate to make even the usual contribution to support their families, in a greater number of cases than might have been anticipated, the power of facts and of reason was demonstrated. In the absence of compulsory

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[6] Rice allowances have long existed in Shanghai. In order to alleviate the distress of their workers, whose very existence depends on their ability to obtain rice, many employers even prior to hostilities paid a monthly allowance which represents at least a part of the difference between the prevailing cost of rice and a certain minimum wage previously agreed upon by employer and employee. This grant is a "rice allowance." Other forms of compensatory allowances may be granted. For example, many employers prefer to leave basic wages as before and to add to them percentage cost of living allowances on basic pay, commodity allowances in cash, and, in some cases, even rice and commodities in kind.

465 powers, such services of advice, consultation, presentation of facts
633 and voluntary mediation are important functions of the administrative authorities. With the full powers that the Chinese authorities will exercise in future in re-occupied Shanghai it is hoped they will be able to build upon the foundations already laid.

439 Shanghai was a city of large trading interests before it attained
463 significance as a manufacturing centre. It was still, at the outbreak
465 of Pacific hostilities, an important commercial city with a large export trade despite the severance of the Yangtse Valley trade after 1937. It was, prior to December 1941, the banking centre of China. After 1937 it was an important educational centre to which universities and middle schools from provincial cities had come when Sino-Japanese hostilities caused their withdrawal. There was therefore a large professional class in the community—professors, teachers, doctors, lawyers. The question of what happened to their livelihood is as significant as is the fate of the workers' economy.

A study of the standard of living of Chinese salaried employees was made in October-December 1941. So excellent a response to the request for the keeping of detailed information was made that, out of 1038 families responding, 441 perfect records were available. Originally it was intended to limit records to families with incomes below CNC$1000, but those with incomes beyond this amount so readily supplied information that the limit was waived. The majority of incomes were between CNC$500 and $1500. A Provisional Cost of Living Index was developed by May 1942 from the records of 100 families to meet the immediate need for a criterion to judge the situation in which Chinese salaried employees found themselves.

162 The average salaried family was found to be larger than the worker's family—6.60 persons, 4.72 consumption units, as against 5.02 persons, 4.41 consumption units in a worker's family as studied in December 1941-January 1942.

434 The total income of the Chinese salaried family studied averaged
465 $688.38 per month. Earnings of the husband accounted for 84.96
per cent, those of other family members only 3.95 per cent. The
511 salaried family, as did the workers family, had to obtain other income; 11.09 per cent came from sub-letting rooms, interest and dividends, gifts and assistance, profits on speculation and gambling.

worker claimed his right through the Court; indeed, the fact that 466
they had rights under the law was known to comparatively few. In consequence the families of many workers killed in industrial accidents accepted less than their legal due, and many temporarily or permanently incapacitated received none of the benefits which the law intended they should have. While in most countries claiming of compensation is left to the worker or his family, in others where the general educational level of workers is not high, it is part of the administrative function to see that compensation payments are made. It would appear that the Chinese Government, in outlining the duties of factory inspectors in the Factory Inspection Law promulgated February 10, 1931, excluded concern with compensation payments of the Factory Act from the duties of inspectors. A programme for the enforcement of factory inspection approved by the Ministry of Industries in April 1934 stated "the factory inspector shall limit himself to the investigation of the actual conditions in which a worker is injured, falls sick, or is killed in the performance of duty."

Commencing where the family loss is greatest, the Division for 466
some years acquainted employers of workers killed in the line of 633
duty with the standards of the Chinese Government Factory Act. 471
Later cases involving workers seriously injured were also taken up. This law was not applicable to foreign employers who were citizens of countries with extra-territorial rights.[8] It was found that the

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the average wages of three years, nor be less than the average wages of one year;

(3) For the worker killed in the course of his or her employment, the factory shall, besides giving fifty dollars for funeral expenses, pay to the legal heirs a compensation of three hundred dollars and two years' average wages.

The average wages mentioned above shall be calculated on the basis of the wages for the last three months of his or her employment in the factory.

Funeral expenses and compensation shall be paid all at once, while allowances for injury or sickness or disability may be paid by instalments.

[8] See pp. 8, 9 for cases involving United States companies and the viewpoint of the U.S. Court for China. In enunciating the principles underlying compensation the Court stated: "It has long been recognized that accidents to workmen in industries are bound to occur where no actionable negligence can be attributed to the employer under common law principles. The hardship and suffering entailed by inevitable accidents, the burden of litigation to poor workmen and their families, and the harassment of unfounded litigation to employers where there was no legal liability, are all factors which helped to bring about the compensation acts. However, the most compelling reason was the conviction that social justice fairly demands that industry should bear the cost of industrial accidents and that labourers injured in the line of duty should be compensated for disabilities regardless of who was or who was not negligent."

466 law was an instrument in inducing payments somewhat more
● 633 adequate, and standards improved year by year. Rising costs of
471 living and falling dollar values made the actual dollar standards
of the Act inapplicable. Employers showed a willingness to adjust to changing economic situations in amounts of compensation paid.

In 1940 amounts of compensation were known in 35 cases, 21 of which were Chinese-owned enterprises, nine Japanese, two each American and British, and one German. Amounts ranged from $500 to $2,000. One American enterprise regularly paid compensation based on the number of months of service together with cost of living percentage allowance in force at the time of death, and a sum of $15 per month payable till the eldest son was 14 years. Another, a Chinese enterprise, agreed to pay $30 per month during 12 years till the eldest son should earn.

In 1941 compensation for accidents resulting in deaths was known in 19 cases, and for serious injuries in 12 cases. Of the total of 31, 19 were in Chinese concerns, six in Japanese, three in British, two in American and one in a Swiss enterprise. Amounts ranged from $500 to $6,000 in cases where death occurred. Five months' wages were paid by a Chinese concern where a worker lost fingers; another Chinese plant paid a year's wages for loss of an arm. A silk weaving factory, Chinese owned, paid $500 to an apprentice who had lost an arm; a Swiss metal industry drew, from an insurance company, 1½ years' pay and allowances for a worker who had lost his leg.

466 A compensation arrangement such as probably never occurred
633 elsewhere was made in the case involving the breaking of a leg
of a young girl of eleven years of age. She had been employed as a substitute by a somewhat older girl to work in a stocking factory and had fallen over a horizontal shaft, causing the injury mentioned. The management claimed it had no responsibility for her presence in the factory—a view which it was not allowed to maintain. The Division finally induced the management to pay hospital expenses and to provide compensation in the form of one pound of soya bean milk per day delivered to her home for a period of six months. The Division saw the receipt for the account for the milk, which was paid in advance.

466 Looked at in the light of the relation between compensation payments in the case of death of a worker and the needs of a family

466 standard of the law. In 1941 one enterprise paid the equivalent of nine months' wages. In 1934 a case reached the Court which awarded only the dismissal allowance as provided by the law, but ordered payment of ten months' wages during strike—as the period during which workers refused to accept the conditions of discharge was called. The amount paid usually did not exceed two or three months' earnings. When this was exhausted there was no further fund on which to draw.

464 While in some cases workers clung to the opportunity to work
466 by all possible means, refusing to accept discharge, in other cases there was an indifference to loss of employment which can only be explained by the fact that its conditions were such that its loss was not regretted. Many enterprises complained of a great labour turnover. This was particularly true in cotton textile mills where, though no accurate figures are available, the movement in and out constituted in some cases a traffic. A twelve hour day or night might well engender a feeling that loss of the opportunity to work so long was indeed little deprivation. Earnings, too, in many cases were not sufficient to be the cause of struggling to keep an employment which did not reward more completely. There was need of realization by employers that some of their troubles of labour turnover would have disappeared with more favourable, not to say more reasonable, conditions of work and rewards.

● 633 Following the outbreak of Pacific hostilities, many enterprises
had to close. The question of discharge allowances was then one
466 which affected simultaneously many workers and many factories.
722 The Division exerted every effort to have a uniform and adequate basis of discharge allowance announced, and in a memorandum to the Japanese authorities pointed out the cost of living and the social significance of giving as generous a sum as possible in the absence of any unemployment insurance. Japanese financial authorities, however, refused to permit the announcement as a principle of more than one month's pay as discharge allowance, with a second month's if the worker left Shanghai, the amount to be payable at destination. Even this meagre amount the Japanese supervisors of some former foreign-owned plants would not permit: in some

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Article 29: Factories which terminate a contract in accordance with the provisions of Article 27 shall pay the workers, in addition to their regular wages, half of the wages due for the period of notification as stipulated in the said Article.

cases a mere $50 was forced on workers and their protests were 633 given no attention. Former foreign owners whose funds were 466 frozen in banks were powerless to help, though in many cases 722 anxious to do so. Many Chinese owners, on the other hand, having access to their funds, made pay-off allowances considerably in excess of the standard which the Japanese permitted to be announced. Some paid six months' earnings. Most of the disputes which the Division mediated in the first half of 1942 were associated with discharge allowances.

THE COMPLETE COLLAPSE of all former earnings standards which 000 resulted from the Pacific war has brought untold suffering. At the time when currency stabilisation will again be effected after Japan has been defeated, it will be well to give some consideration to the relation between earnings and cost of living. New standards of industrial earnings could be set in the reorganised currency, earnings based on careful studies of what it costs to maintain a family on a nutritionally adequate diet. This is not impossible, as subsequent chapters dealing with food and nutrition will attempt to show. Without greatly increasing the cost to the people, and without basically changing the Chinese diet, it should be possible through administrative action to eliminate frank deficiency diseases and to secure freedom from less obvious but real malnutrition. If there is some additional cost, earnings should be adjusted to meet it. Earnings in Shanghai's industry should no longer be determined solely by the fact that earnings on the land nearby are low: indeed, it is hoped that farm earnings also will rise. The excellently equipped cotton mills in Shanghai which will be restored even if they are in part destroyed upon Japanese withdrawal should not be operated in world competition with workers paid less than a subsistence wage. The concept formerly held that wages of principal wage earners could remain low since a second member of a family worked as a rule should find no place as a basis for setting standards of earnings. If no other good can come from the great suffering of the Chinese people in their many years of war it is to be hoped that the shaking to the foundations of old and inadequate standards may, when stabilisation comes, bring with it some new attitudes to what is due to workers. In the industry and quality of her people China has inestimable

tse might be powerful within a trade instead of a district. The real 466
employment manager of several large textile mills in the Settlement was prior to December 1941 one *lao t'ou tse*; the personnel managers and even the management of these enterprises appeared to bow to the influence of this powerful "boss."

INDIRECT EMPLOYMENT through contractors was an unsatis- 466
factory state of affairs. In a few instances the efforts of the Indus- 633 ●
trial and Social Division were successful in inspiring or assisting
its elimination. In some textile mills contractors were formerly 465
paid on the basis of the amounts of yarn produced. The system dated from earlier years. The contractors employed the workers and distributed their earnings to them. The management had no means of knowing whether the total earnings due the workers actually reached them or whether, as was probably the case, a considerable percentage was retained by the contractors. The closing down of these mills at the outbreak of hostilities in 1937 gave an opportunity to a management which had long desired to do so to rid itself of this incubus.

During an industrial dispute in an oil mill in which the services of the Division were sought, it was found that workers were both employed and paid by contractors. Base monthly wages paid by the management to the contractors were at a certain rate, but the amounts actually reaching the employees were less, part being retained by the contractor. The settlement of the dispute provided an opportunity to persuade all parties to abandon the contract method of operation, the contractors becoming actual employees, at a remuneration sufficient to indemnify them. The new plan was outlined in a collective agreement to which a Division Mediation Officer was a party, and the several hundred workers, in a mass meeting, were informed by the Officer that in the future they would be entitled to the whole of their earnings.

But the old system remained in many spheres of industry. Trans- 466
portation workers, workers in flour mills, in some textile mills 465
and other undertakings were employees, not of the enterprises themselves, but of contractors engaged by the management. One industrial dispute showed that the *kung t'ou*, or work head, was paying the workers on a unit basis less than he reported to the management, and that the management meanwhile was under

was expanding its sales. To have brought the latter group into contact with workers from the former would have constituted a distinct contribution to the welfare of both the employees and the employers. Such mass employment placement opportunities will occur again in future in interrelated trades, and there is a need for an employment agency which could act in this sphere. 464

In July 1942 some employers in the leather shoe trade, during the course of mediation of a dispute with employees, asked the Division whether it could assist in controlling the movement of workers from manufacturer to manufacturer during the busy season, when some employers, unable to find sufficient skilled workers, paid high prices to induce them to come into their employ. These employers sought to prevent freedom of action on the part of workers. But they were instead induced to sign a collective agreement in which discharge allowances were included, workers of longer standing getting substantially higher allowances, thus creating inducement to remain in original employment. The Division undertook to make a register of the skilled workers in the trade and to commence an experimental operation of a public employment exchange for this trade only. 464 633

As earlier indicated industry in Shanghai will be controlled during the period of its occupation by Japanese. The process had already begun by the middle of 1942. When it has progressed further it is likely that—if shipping is sufficient, for example, to bring rubber from Malaya and vegetable oils from the Netherlands Indies presently under Japanese control; if iron deposits in the vicinity of Nanking and Wuhu are developed; if the Chinese cotton crop is not entirely pre-empted by Japan—there will be some improvement in the employment situation. Hence in August 1942 recommendations were made that initial investigations and studies preparatory to the operation of public employment exchanges should be immediately begun. It is likely that progress may have been made even during the period of occupation.

Early in 1942, following the closure of many machine shops in Shanghai and the consequent throwing out of employment of mechanics and fitters, recruiting agents from Manchuria arrived in Shanghai. They came from steel rolling mills, from airplane plants, motor plants, mines, transportation enterprises. In view of the military occupation of Shanghai it was not possible to pre-

464 vent the recruitment, but the Division exerted its influence to see that as far as possible workers who accepted service would do 633 so willingly, that they knew to what they were going. Efforts were made with recruiters to have them given contracts in which was written a fixed period of service. Workers were to be told by the Division that if they lost contact with their families they could inform the Division. The object was to prevent employment at a distance from becoming a cause of broken families. As events turned out, recruiters met with little success. The Division refused to become a promoting agency, taking the stand that its function was to safeguard the interests of recruited workers. Chinese skilled workers refused to enlist. Some attempts later by Japanese military to requisition Chinese residents of the Settlement for forced labour with Japanese forces were checked upon representation of the Division and the active cooperation of the Japanese Chairman of the Council.

466 A DIFFICULTY IN obtaining employment which applies to both adult and young workers is the requirement by most industrial enterprises of a guarantee prior to employment. The would-be worker must find some one who is willing to guarantee that in the event of his proving unsatisfactory in employment the employer will be in some measure indemnified by a cash payment. In China there exists a "shop guarantee," where, in return for a fee, a business enterprise guarantees the good behavior of a worker. A guarantee is, of course, known in western employment relations, but for the most part it is required only of those in positions of high trust where the handling of funds is involved, when such employees are bonded by regular insurance companies in return for a payment.

The widespread use of the guarantee may form a difficulty in the path of a public employment service, but not necessarily an insuperable one. The existence of nepotism is more likely to prove an obstruction in getting the services of an employment office accepted. The desire of someone already employed to obtain work for a relative or neighbor has led to some occupations becoming the preserves of certain groups. Employers, too, feeling hesitant about employing those entirely unknown to them, like to take as new employees those recommended by their own work-

was able to obtain through the Division's mediation in August 467
1942, a collective agreement embodying a minimum monthly pay 668
of CRB$200 whether employees worked or not during slack months when otherwise they would not be able to earn this amount. Unions, too, were active in claiming on behalf of their members adequate discharge allowances.

It can thus be seen that labour was by no means inarticulate, nor did it necessarily await the stimulation of political groups to lend it cohesion and the power to act in concert. When impelled by a sense of economic needs, workers formulated demands which they pressed upon employers. Leaders emerged to conduct negotiations, often with considerable astuteness, and though in many cases they were almost illiterate, they were often keenly intelligent.

How WAS THE DIVISION apprised of imminent industrial unrest? 468
Without compulsory powers to require the submission of a dispute 633
to mediation, it nevertheless arrived at the place where few serious disputes occurred which were not brought to it for settlement. There was a gradual building up of confidence in its fair handling of matters in dispute and one group of satisfied workers passed word to another that application to the Division for mediation would have useful results. Disputes could of course be referred by either party; but as a matter of technique the Division mediated most successfully when workers, not management, presented the request. The reason is obvious: workers may distrust a mediator whose help has been sought by an employer. The Division sometimes waited days after a case was referred by management, in the meanwhile trying through other workers whose confidence had been won, to have the workers involved in the dispute request mediation.

An obvious principle for the Division in mediation was not to 468
break the strength of the workers. If their bargaining power were 633
weakened, the process became not one of mediation between
parties of equal strength, but a dictation of its views on the part 625
of a stronger management. This view of the Division did not always correspond with that held by the Municipal police, who also were associated with the settlement of some disputes, usually those where violence or threat of violence had occurred. The police, whose function was primarily to preserve peace and order,

[625] 468 633 tended towards the simple formula of taking the line of least resistance by requiring that workers return to work before mediation was undertaken. But workers who, having struck, went back to work, were workers weakened in their struggle. It must not be thought from this that there was any truckling to workers. The mediation officers did not hesitate to state when, in their view, the demands of labour were unreasonable. Equally the viewpoint of management was taken into account. Where it was reasonable it was supported; where it was thought there should be concessions the management was frankly told so. No pressure, however, was brought either to induce workers to resume before they were satisfied that they had obtained the best possible adjustment of their claims, or to induce management to make a settlement which it would regret.

The work of the Industrial Relations Section of the Division became partly mediating, and, as time went on, increasingly consultative. Both workers and management frequently sought advice on their situations before an open break occurred,, and a final breach was more frequently avoided than not. But workers were not restrained by the Division from striking, if without the exercise of this instrument they could not obtain a just hearing for their demands. Nor was management, if workers proved unreasonable, over-persuaded not to use the weapon of lockout.

468 625 579 VIOLENCE SOMETIMES accompanied labour disputes. When workers refused to leave the plant, "sat down," or even locked up the management, then the police had to be called in. Every effort was made to avoid clashes with workers, but there were occasions when the police officer in charge believed it necessary to clear the plant. Workers then might seize any handy missile, from iron bars to bricks or garbage, with which they attempted to resist the police. In one strike early in 1941 the management permitted the men to enter the plant each morning for three days and to leave it each evening, without having done any work, in an effort to avoid the necessity for calling in the police. Meantime negotiations were attempted. When on the morning of the fourth day workers tried to enter the compound armed with iron rods, they were prevented from doing so, and the police were informed. In an ensuing melée many workers and policemen were injured, some workers fatally.

468 not applicable to owners of factories with extra-territorial privileges,
467 to American, British, or Japanese owners.

471 The attitude of the Shanghai Municipal Council toward labour organisation was not specifically formulated. While a procedure of
467 registration of organisations with the Special Branch of the
633 Municipal Police as a means of crime prevention was instituted as an emergency measure after the 1937 hostilities, the registration of workers' groups was not encouraged.[3]

468 As stated elsewhere, industry in the past did not pay adequate
633 wages, many workers being employed at remuneration insufficient to meet the needs of a family.[4] There was no effective legal instrument for enforcement of minimum wage standards, but mediation procedure frequently was useful in achieving earnings adjustments. When a dispute occurred a first step was to request from the management the wage sheet of the preceding month, together, if possible, with the wage sheet of the corresponding month in 1936. It was then possible to find the actual earnings indices, and to compute real wage indices, so that the spending power of earnings became apparent. These earnings were further compared with the minimum subsistence costs regularly published monthly by the Division. By these two procedures the parties became aware of the actual wage situation, and efforts were exerted to have adjustments made so as to meet as nearly as possible the published figures.

468 An important instrument to further betterment of conditions
633 was the signing of a collective agreement to which factory manage-
675 ments, workers' representatives, and the Division, were parties. A written agreement is better than verbal promises. Moreover, being an agreement to which the parties had voluntarily agreed, it had the moral force of a contract.

The agreements covered a wide range of conditions of employment including wage increases, allowances of various kinds, provision of annual bonus and profit sharing, provision of hospital

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467 of their affiliation with the labour union . . . shall not make it a condition of employment that the worker shall not take charge of any business of the union or that he shall not enter a union or that he shall withdraw from the union." Translation by Koo Ping Yuen, *Chinese Labor Laws*, second edition, Commercial Press, Shanghai, 1935.

[3] See Chapter II.

[4] See Chapter III.

and medical attention and payment of wages to those injured in 633
the course of duty, limitation of hours of work, provision of direct 468
employment by the management and elimination of employment 675
through contractors. Two clauses frequently inserted gave a continuing influence: provision for mediation by the Division in the event of dispute, undertaking of workers not to declare a strike and of the management not to declare a lockout until mediation had been attempted; and provision that a report be first submitted to the Division in the event of necessity for suspension of work and dismissal of workers due to lack of raw materials, trade depression, or other causes.

The aim of the Division was not merely the settlement of an 633
individual dispute, but to use the contact established between 468
workers and management at the time of mediation to permit the exerting of a continuing influence on the employer-employee relations in the firm or trade involved. Most larger enterprises had factory rules to govern these relations. In as many cases as possible, parties to a dispute were asked to submit the existing rules to the Division. Many changes were subsequently agreed upon which contributed to better conditions of work and sounder employment relations. In the absence of a universally applicable law to control conditions of work, wages, hours of work and other matters in employment relations, such piecemeal handling, factory by factory, trade by trade, proved a useful procedure.

IT CAN BE SAID that, though there was no official encouragement of labour organisation on the part of the Shanghai Municipal Council, and indeed though police discouraged organisation through disallowing registration, there was nevertheless a recognition that workers' group action could not be opposed. The mediation services were undertaken without specific instruction and without specific powers to require that any dispute be submitted to mediation, yet they were in fact a tacit admission on the part of the authorities of the right of group action. In the future when the Settlement comes under the control of the Chinese Government, it is to be presumed that its Labour Union Law will prevail. Under this the right of group action is specifically recognised, though it is hoped that administrative controls over organisation as

633 given in the earlier part of this chapter may not mean some lack of
468 freedom of action on the part of unions.

One important result of the years of mediation in Shanghai is the education which many workers underwent in the process. Though there was little formal organisation or union activity, groups of representatives of workers in individual plants learned what group action meant during negotiations. It is not too much to hope that some of those workers who represented their fellows in negotiations, whose right to be heard was so patiently upheld—sometimes through interminable arguments—had an experience which may make of them the labour leaders of the future. This, at any rate, was a conscious aim of those mediating. In the conviction of individual workers that group organisation would serve the interests of the general body of workers lies the germ understanding of what a labour movement means. Perhaps a useful contribution has been made.

342 362 stairway. This dark loft may be the only home that many a family knows. The kitchen, at the rear of the house, may or may not be used for its original purpose; more likely it is the residence of yet another family, while portable coal-briquette stoves are placed anywhere for cooking purposes. In the same way the upper front room may have both vertical and horizontal partitions, making spaces for other families; and the room above the kitchen will house yet another household. The area for each family is obviously minimal.

511 362 The alteration of buildings without permit was illegal. Application should be made to the Building Surveyor of the Public Works Department for permission to carry out any building alterations. In practice, however, it was very difficult to detect interior alterations while they were being made. While theoretically the removal of unauthorized structures might be required, and while the Building Surveyor waged a vigilant struggle against such structures, there were certain difficulties in the way of complete enforcement. Not the least of these difficulties was the fact that the earnings of the majority of the Chinese population were insufficient to permit them to rent larger living quarters than they actually occupied. The basic cause of housing congestion was economic. As we have seen, the earnings of a principal wage earner were in general insufficient for the needs of his family, nor did the average total wages earned by all family members meet these needs. Under these circumstances it is obvious that a family will pay as little as possible for rent, and will occupy an unbelievably small space in order to reduce rental expenditure.

633 362 THE SETTLEMENT WAS by no means complacent in the matter of its bad housing conditions. At the annual meeting of ratepayers in 1936, a British resident proposed the following resolution:

> "Whereas the constant growth in the population of this Foreign Settlement has been accompanied by a rapid development of industrialism and many changes in the living conditions of the people: and
>
> "Whereas serious public concern has been manifested over the resultant housing congestion and other unfavourable conditions associated therewith: and
>
> "Whereas no definite steps have been taken toward the examination of the problem with a view to possible measures for preventing its further aggravation,

"The Shanghai Municipal Council is now requested to appoint a Commission, with wide terms of reference, to investigate the housing situation and to publish a report thereon with such recommendations as the Commission may see fit to make."

With slight amendment the resolution was adopted.

The Committee, when appointed, set about the examination of the housing question over a wide field. Apart from the general survey, one sub-committee concentrated on the question of the Council's administrative powers and on its building rules, while a second examined the obviously basic economic aspects of the situation.

In its findings the Committee recommended many technical methods which might control building alterations, encourage the erection of new types of dwellings in which a single room designed for the purpose would accommodate a single family, encourage the erection of small buildings to be used solely for industrial purposes, and discourage the future occupation of domestic premises for industrial uses. Specifically it recommended that no further "lofts" be permitted, in this way attempting to reduce the numbers of families which a house could contain. On the economic side, it was suggested that the Council should appoint a committee to consider means for the reduction of rent, and for the improvement of hygiene. Study was requested of such measures as public subsidy of housing schemes, reduced assessment of cheap house property, co-operation with extra-Settlement authorities in housing, improved cheap transportation, and increased wages. One recommendation was made which, in the light of what occurred upon the outbreak of war less than four months after the presentation of the report, seems particularly ironic—"discouragement of excessive population influx."

This report was considered by a special committee of the Council, modified somewhat, and finally adopted by the Council in June 1937. The general banning of lofts was not approved; it was thought preferable that poor families should continue to occupy crowded lofts than that they should be forced onto the street. A recommendation was adopted which set up a standing committee including the Commissioners of Public Works and Health and the Chief of the Industrial Division, to study and report on the eco-

362 nomic and social recommendations. The early onset of hostilities
633 precluded action.

On August 13 fighting broke out, and the city entered a most difficult period from which, down to August 1942, it had not emerged. If a housing problem existed prior to hostilities, it was more serious later. If difficulties were experienced in finding remedies then, they were rendered almost insuperable by the influx of a refugee population which largely remained in the city.

342 IT HAS BEEN POINTED out that the provision of housing by owners
of large industrial enterprises was frequent.[4] This may take the
362 form of factory dormitories, accommodating single men or women within the factory compound. Or it may be that the management constructs houses of the usual type which are let to workers, often at rates below the rate ruling in the city generally. The Division's view was that dormitories were not desirable, for workers housed in them were in the position of being virtually under the direction of employers both during their working and their leisure hours. Admittedly the physical conditions in some dormitories were better than those within the ability of low-paid workers to obtain in the community; but the freedom which the right to leave the factory at the close of the day represents may not be dearly bought by accepting less good housing outside. Employers took the view that they were conferring a benefit in the provision of housing at cheap rents, but such payment in kind is close to the old evil of "truck." Adequate wages for workers to obtain their own housing are desirable.[5]

633 Controls over dormitory development were exercised in the first
342 instance through the Building Surveyor, who carefully calculated
the per capita air space for the number of beds which it was pro-
362 posed to install. Through the Industrial and Social Division, progress was made in obtaining the installation of bathroom and laundry accommodations, and more recently of ventilation systems, in

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[4] See the discussion of Employment Relations, Chapter V.

[5] In June 1941, one enterprise which housed 330 men in a dormitory on a mill compound and intended to erect a second building to house 300 women workers reversed its policy. It added $10 per month to the wages of all employees, men and women, to help them to find housing elsewhere. It continues to supply hot baths, and provide laundry facilities, activities in the best "welfare" tradition of western countries. A second millowner who had not thought of dormitories in the light of limitation of freedom abandoned extension programmes.

new dormitories. Provision for rooms for drying workers' clothes 633
by steam, instead of having them hanging damp, depressing and 342
unhygienic in already crowded bedrooms, represented further 362
betterment. Standards were rising. The happiness of workers in dormitories is conditioned also by psychological factors. In an effort to enlist dormitory matrons in the campaign for better conditions of dormitory life, a course of discussions over six weeks was held. Thirty-six women from twenty-six factories came, their interest increasing as the course proceeded. Hygiene in the dormitory, food, provision of recreation and education, and some talks aimed to interest the matrons in achieving harmony and more ordered living were among the subjects discussed. Individual visits were paid to the matrons and they were encouraged to come to the office of the Division for consultation and refreshment in their task.

REFERENCE HAS BEEN made to the high rents which the over- 511
crowding resulting from hostilities produced. Rents in 1942 were 427
almost five times what they had been in 1936. To some actual property owners this figure seemed fantastic. By rulings of the First Special District Chinese Court, rentals of those lessees amenable to the Court were not permitted to be raised by more than twenty per cent, which means that the property owner did not receive more than twenty per cent above his 1936 rate. His costs meantime increased greatly. Charges for water consumed in many cases equalled the rent received. For the purpose of the cost of living index figures, actual "retail" rentals paid by sub-tenants who rent a portion of a house from the principal tenant were considered. The principal tenant, taking advantage of the enormous demand for housing produced by the hostilities, raised the rentals of his sub-tenants on every pretext.

To discover the extent to which principal tenants were exploiting the housing shortage and squeezing the last cent possible from their sub-tenants, a study of the problem was made by Council officials in 1940. A typical situation was found to be as follows. The principal tenant paid his landlord an annual rental of only $960, although investigation of investment, water costs, which the landlord met, and other charges demonstrated that he should, instead, have paid $1,398. In rentals from his sub-tenants, however, he took in $2,004, in addition to the value of the space which he

511 427 occupied, worth another $550 to him—or $2,554 in all. Admitting that he was entitled to a certain return on his investment and for services, and putting this at the generous figure of twenty-five per cent, his excess profit after all charges was $453, approximately fifty per cent of his initial rental.

511 427 633 In face of sufficient houses for the increased population the finding of any basic solution to the situation proved difficult. During 1940 Council officials and committees sought means to relieve the obviously exploited sub-tenant and to give the actual owners of houses a return on their property more in keeping with their increased liabilities. Every conceivable method was considered. The proposal was made to property owners, for example, that they might let directly to sub-tenants, eliminating the functions of principal tenants, but many legal difficulties appeared. Tenants on monthly leases had a virtually perpetual lease, as interpreted by the Chinese courts. A suggestion was made in 1940 that controls might be exercised through licensing sub-lessors. Legal advice then held that it was not within the Councils competence to license sub-let premises. Competent Chinese advisers warned against instituting a procedure which might create difficult relations between the principal tenant and his sub-tenants. In the housing shortage, they stated, no sub-tenant would dare to take advantage of a provision aimed to reduce his rentals. Without a new dwelling to which to go, he would rather pay his present rent than create a strained situation finally forcing him to move.

But emergencies frequently shake authorities from their purely legalistic interpretations, sometimes with social betterment in consequence. After the outbreak of Pacific hostilities in December 1941, it was apparent that unemployment consequent on this development would make it impossible for many, even those formerly well placed, to pay ruling rents. Accordingly the Council issued a notification forbidding landlords to evict tenants during a period of three months, and instructed landlords and tenants to reach mutually satisfactory rental relations without recourse to the Courts. A Conciliation Board was established to mediate rental disputes between landlords and tenants. Sanction of the Consular Body was obtained for a new Byelaw to require a licence to sub-let and to make the acceptance of key money illegal. Through the licence the rentals of sub-let premises could be controlled. From

the point of view of the people's livelihood, this measure involving 511
control of rentals of 250,000 families was potentially an important 427
social instrument. By the conditions of licence, the licensee had 633
to post in a conspicuous place the exact rental paid by him to the landlord, together with his outpayments for municipal rate, licence fee, water and light charges if the licensee supplied light to the subtenants. Upon the basis of these total charges the sub-lessor might make a profit of not more than 20 per cent or a similar profit proportionately for any portion of the house sub-let. An important provision stated that no addition might be made to a sub-tenant's rental to compensate the licensee in respect of any money paid for alterations made to the premises. The significance of the key-money provision will be discussed later.

In the first quarter, 42,000 licences were taken out. An inspection staff paid 19,000 visits in this quarter, first instructing as to the necessity for obtaining a licence, then as to the method of computation of the rentals of various locations. To reinforce the efforts of the inspection staff 65 cases were instituted in the First Special District Court. Fines up to $250 and in five cases imprisonment, in one case up to six days, were inflicted. By the end of the first three months it was calculated that the rentals in 30 per cent of the sub-let premises had been adjusted in accordance with the provisions of the licence. By the licence conditions also, sub-let premises further sub-let could not earn any further profit. Since this practice had been very common the provision was a further factor in keeping down the people's rent.

Key money is a lump sum payment demanded by a landlord before he will give tenancy of a house: or by a tenant in the transfer of a lease: or by a tenant wishing to sub-let. It is not recoverable. When housing shortage is acute, key money for accommodation may be many times the monthly rental and can run into thousands of dollars for a house whose monthly rental is one or two hundred. The Byelaw forbade the demanding or taking of key money, or the taking of money in excess of the market value of furniture or fixtures for any premises let. Cases of key money came easily to light, through newspaper advertisements on the part of those not yet cognisant of the new ruling, or through information obtained by inspectors on their rounds. The support of the Court was obtained in applying the penalty of detention upon proper legal

511 basis but contrary to usual practice in cases involving infraction of
633 a Byelaw. A judgment of three months' imprisonment was handed
down in one case where the accused was charged with taking $20,-
427 000 key money. When the sale of furniture and fixtures was involved, valuation by the Court's valuers was obtained, on the basis of which a case was instituted if it was found that the sum asked in the transfer of premises was greatly in excess of the value of these items. It will take a considerable period before key money will become recognised as being illegal, and there will always be cases where payments are made secretly. There will always be those ready to pay illegally for what they cannot obtain otherwise. Nevertheless a beginning was made in destroying the value which accrues to the tenant from the mere holding of a tenancy. Related to the question of key money was the provision in the licence to sub-let that not more than one month's rent could be collected in advance. Without such a provision a lump sum payment could be passed off as rental in advance, though monthly rentals would, in fact, also be collected.

362 The licence to sub-let aimed also at improving actual housing
633 conditions. It required that the kitchen in a house might not be sub-let for residential purposes. It provided that passages must be kept free and rear and front entrances available for use at any time. If conditions become such that housing shortage becomes less acute, the instrument of licence could be used further to require improvement in housing conditions. Use of lofts as living accommodation, for example, might ultimately be forbidden.

There exists another instrument which might be invoked. A
744 proposal by the Council to prevent overcrowding was approved
362 in the form of a Byelaw by the Ratepayers' Meeting in April 1941. For years its necessity had been admitted, but difficulties in obtaining a quorum of ratepayers had prevented this and other needed reform measures from securing formal approval. It was understood that the Commissioner of Public Health would apply the Byelaw with discretion, at first only in the most flagrant cases, because of the housing shortage.[8] Nevertheless its existence provided an instru-

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[8] *Byelaw against overcrowding*: "Every building or any part thereof found to be inhabited in excess of a proportion of one person for every thirty square feet of habitable floor space, or superficial area, and four hundred cubic feet of clean and unobstructed internal air space shall be deemed to be overcrowding, and the householder shall be liable to penalty or fine not exceeding twenty-five dollars."

ing of the treaty with Nanking on November 30, 1940, it was 262
announced that high Japanese military authorities in Nanking had 438
agreed that, subject to meeting the needs of the army and with 722
certain other reservations, rice collection should be a function of
the Chinese authorities. Actually little Chinese rice was made
available to Shanghai.

There were ample stocks of rice in Burma, but there were no 435
ships to bring it to Shanghai. This was well known, not only to 262
rice dealers in Shanghai, but to the general public. Therefore,
despite the presence of a large reserve supply in the warehouses of
the city, the retail price of rice rose at an accelerating rate until in
May 1941, as a result of private profiteering and public fear, it
reached the till then unprecedented height of $145 per *shih*.

It can readily be understood that with such difficulties in feeding 262
the Settlement, major emphasis had to be placed on ensuring sup- 579
plies. Even though high prices were undesirable, it was important
that there should be supply at any price. Rice riots have occurred
more than once since 1937.

The distressing effects of high prices were illustrated by the prac- 685
tice of "rice sweeping" (and, indeed, the snatching of other com- 262
modities such as raw cotton) which became a frequent sight in the 435
city as a consequence of the rising prices. When a truckload of rice
halted at a traffic intersection, a dozen waifs, adult and adolescent,
appeared from nowhere, moving like lightning. In a twinkling one
or more rice bags were pierced with knives, and as the precious
grain began to run out, it was scooped swiftly with the dust of the
roadway into a receptacle. The "sweeper" would often disappear
before any police could act. But if caught, he or she appeared next
morning in the First Special District Court, that busy court which
dealt with an average of 10,000 cases each month. Detention fol-
lowed; but the need that prompted the snatching remain unfilled.

ALTHOUGH IN THE CRISIS of 1937 the Shanghai Municipal Council 633
had intervened to bring rice to Shanghai, it had no desire to inter- 438
fere with the normal trade in rice unless forced by circumstances 262
to do so. When faced with the crisis in March 1941, therefore, the
Council decided that it would charter ships, possibly with the
assistance of the British Admiralty. Space could then be sold to rice
importers. At the end of March the Council announced this in-
tention and appointed a special committee of businessmen under

633 the chairmanship of one of its own members to deal with the
438 matter.

But it proved impossible to secure the desired ships, and the out-
262 look for Shanghai appeared dark. The authorities were therefore much relieved when in April the Government of Hongkong requested the Shanghai Municipal Council to act as its agent in disposing of stocks of Rangoon rice which had been held in Hongkong as a reserve but could not be kept indefinitely without deteriorating. An arrangement was concluded whereby the Council agreed to receive enough for the Settlement's needs at a price which would enable the Hongkong Government to replenish its stocks through imports from Rangoon.

262 On April 26, 1941, when second-grade Saigon rice was quoted
435 at $126 per *shih* in the Shanghai rice shops, the Council announced
its intention to import Burmese rice from Hongkong. Speculators
438 who had been hoarding rice made last-minute efforts to sell at high
633 levels. Prices rose steadily until May 3, when $145 was quoted for second-grade Saigon rice, but during the next fortnight they dropped, until May 17, when Council rice at $110 per *shih* was placed on sale in the retail shops. The "racket" for the moment was broken.

435 Ever since 1937, the Council's Supplies Committee had wrestled
633 with the question of price control. The rice trade appointed a
"Shanghai Rice Price-Fixing Committee" whose decisions could,
262 according to Chinese Law, be enforced in the First Special District Court. During 1939 it fixed a price endorsed by the Council, of $40 per *shih*, which, however, was soon exceeded; and a "black market" developed where deals were consummated at prices considerably beyond this price. During 1940 the question of price-fixing generally was again exhaustively examined by a special subcommittee of the Supplies Committee. One result of its work was the adoption by the Council of measures requiring clear marking of the prices of daily necessities sold in the Settlement. The aim of this was to induce competitive selling on the part of vendors, and to permit the buying public to discover where goods were most reasonably priced. The Council, together with the French Concession administration, published regular price lists of necessities, also with the idea of informing the public where goods could be most reasonably purchased. In June 1940 the Council established

a Price Investigation Office within the Public Health Department in an effort to curb profiteering and to check abuses in connection with food supplies. After six months' intensive work, this Office recommended that price-fixing should not go beyond voluntary measures.[1] The report listed the following arguments against the introduction of compulsory price-fixing of basic commodities at that time:

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1. The magnitude of the problem and the lack of means on the part of the Council successfully to enforce compulsory price fixing in the International Settlement, where so many different national laws apply.[2]
2. The present abnormally high cost of nearly all staple commodities, due primarily to the military occupations of the areas surrounding Shanghai resulting in various forms of interference with the normal influx of such commodities. Whether the interferences are due to military necessity is beside the point, because, in any case, no fundamental solution of the problem can be accomplished without the assistance and good will of the Imperial Japanese Forces.
3. The question of the value of the local currency. Its effect, directly on imported goods and indirectly on domestic products, is beyond any control measures the Council might wish to enforce.
4. The fact that the Council would be unable to fix reasonable profits for importers and wholesale dealers. Control of retail prices alone will always be of a petty nature as long as no shortage of supply exists. Business competition and ordinary common sense amongst the purchasing public should tend to render retail profiteering relatively insignificant.
5. Should it be decided to fix maximum prices both for markets and shops, two or perhaps three different prices would have to be fixed for identical products in accordance with the location, class and overhead expenses of the various shops.

THERE WERE SEVERAL efforts to make staple foods available to poorer sections of the community at less than ruling prices during the period prior to the outbreak of Pacific hostilities in 1941. The "Shanghai Rice Cheap Sales Committee," composed of senior

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[1] There was some basis for such a recommendation, even though the situation was such that control was necessary. In Shanghai where many nationals had extraterritorial rights, the means to secure compliance through national consular courts were difficult to find. The Council was of course quite unable to control the purchasing power of the Chinese currency.

[2] In October 1941 the Provisional Council, acting under new powers conferred on it by the Ratepayers in April 1941, passed a Byelaw aimed to control profiteering and hoarding. A Municipal Byelaw is enforceable against nationals of all countries, and overcomes the difficulty of differences in national laws.

435 members of the Chinese community, purchased broken rice and
262 sold it through rice shops to the needy through eight periods of
633 several weeks each. A total of 223,200 bags was distributed, the
● organisation making a contribution of more than two million dollars, the difference between the cost of the rice and the returns through sales at lower prices. In a similar effort to supply food to the poor, from February 1940 onward, the larger Chinese flour mills made available several thousand bags of flour daily at considerably less than the market price, to be sold in small quantities, also through shops regularly selling flour. More than two and a half million bags of flour were thus provided. Several importing firms also played their part in handing over ten per cent of all incoming flour consignments, totalling 185,000 bags, to reliable dealers for sale to actual consumers. Important as these efforts were they could not ease to any great extent the difficult situation.

741 The very substantial arrivals of rice and wheat from the American Red Cross for relief purposes also played their part. This
262 grain was distributed to organisations caring for numbers of needy
146 people. Many refugee camps, hospitals, and institutions caring for children were the recipients of this food. The form in which the wheat came proved to be particularly suitable. It was "cracked wheat," wheat submitted to the first processes of milling only, consisting of the whole grain merely cracked. In consequence the precious germ of the wheat was still present, containing within it the important vitamin B complex which is significant in nutrition and in the prevention of such recognised dietary deficiency diseases as beriberi. The nutritional results for those fortunate enough to receive it were dramatic. Instead of gross signs of deficiency and the less dangerous but serious malnutrition which were everywhere prevalent, by comparison a glowing health appeared in institutions using the cracked wheat, though it could not provide all the needed protective foods.

435 In August 1941, the Chinese Government ruled that foreign
633 exchange would be obtainable only through its Stabilisation Board.
439 It then appeared that an instrument might become available which would give the Council actual power to control prices of imported
262 staple products other than rice which was already controlled through the agreement with the Hongkong authorities. The Board was sympathetic to the view that exchange for essential commodities

should be granted only through the Council; and the Council in 435
turn would allot it only to those merchants who would sell to re- 633
tailers at a price fixed from time to time by the Council. As a 439
means to control the final sale to the people, the Council sought 262
and obtained from the Consular Body approval of a Byelaw empowering it to control prices at retail. On November 9, 1941, a Proclamation fixed the retail price of all imported rice at $130 per *shih*. The registration of all stocks of rice and flour was called for, and all movement of these commodities without a permit was forbidden as a means to keep them under control.

THIS WAS THE FOOD situation when Pacific hostilities supervened 633
on December 8, 1941. It was fortunate that controls over essential 262
commodities had begun, for there was thus in being the nucleus of 435
what was, within six months, to become an extensive organisation 439
controlling the issue and price of rice, flour, and other commodi- 434
ties. The Council had even, before December 8, examined in some 722
detail what would be involved in rationing.

Soon after the opening of 1942, the Council issued a notification requiring holders of stocks of imported rice and of flour to deliver them against delivery orders issued by the Council, thus requisitioning at a fixed and fair price the stocks which the city held. It proved fortunate that in the early months of 1941 the hope of gain had induced many merchants to import large stocks of rice, for these proved sufficient to meet the needs of the Settlement and Concession at the reduced consumption rate required by the Japanese authorities during the first five months of the year. Indeed, in this outcome lay some justification for the lack of earlier rigid price controls which might have acted as a deterrent to importers. Stocks of native rice were not taken into consideration since, as has been shown above, the Japanese military had controlled the collection of native rice for the previous two years, using it for their own purposes and allowing virtually none to reach Shanghai.

The methods used in the spring of 1942 for the husbanding of precious stocks of imported rice were: reduction in the number of shops licensed to sell rice, fixing the number of days on which rice could be bought at three each week, limiting the selling hours on these days and reducing the amount of each sale to one *shun* (1.72 pounds) to any one person. There were in consequence long rice

633 queues, and the great urge to obtain rice and fear of being without
262 this staple caused those standing in them to crush closely against
435 the next in line. There were frequent cases of injuries despite the
efforts of the police to control the lines. Because of this situation,
439 "rice rustlers" stood in the queues, securing the amount permitted
434 to be bought, which they then sold at more than the official price.
722 It was a relief when the plan for the issue of rice ration tickets
finally was approved by the Japanese authorities and was put into
effect in July 1942. The distressing rice queues disappeared.

The price of rice rose steadily in the months after the institution of control. The difficulty of getting rice in the queues induced farmers in the nearby countryside to smuggle in native rice which was sold at high prices up to CNC$550 per *shih* of 172 pounds. The Japanese authorities requested the Council to forbid the movement of native rice in the Settlement, as a means, it was claimed, to bring down the price in the provinces. The Japanese authorities had to buy rice there, and, it was argued, the high prices ruling in the city induced higher prices in the provinces. It was contended that Shanghai's future rice supply, when the stocks of imported rice should be finished, must come from the provinces, and it would be to the ultimate advantage of the Settlement population if the purchase could be on reasonable terms. It was known, however, that the native rice must be considerably higher in price than the imported rice when it finally came to be supplied, and therefore at intervals the price of imported rice was raised to ease the ultimate transition to the native rice price, and to build up a fund in the Council's treasury to permit native rice to be sold at a loss if need be. Japanese authorities made available some, but not sufficient, rice from May 1942, when the stocks of imported rice were used up.

435 The fixing of the saleable quantity and of the price of rice and
633 flour and flour products such as noodles, *ta ping* or big flour cakes,
262 and many other items was only part of the emergency measures
undertaken to secure essential commodities. Before Pacific hostili-
511 ties developed, through an Association of Importers and Manu-
722 facturers, the prices of several hundred packaged goods, foods and
drugs chiefly, were fixed. Fixing of the prices of coal and coal
briquettes followed. Prices for milk were declared. Stocks of tinned
milk were requisitioned and kept for children and invalids. It was

a matter of regret that control of vegetable oils, so important in 435
the cooking of a Chinese family, could not be exercised by the 633
Council. The Japanese regarded these commodities as materials of 262
war. But stocks found their way uncontrolled into the market. In 511
the case of sugar also, the Council was not permitted by the Japanese authorities to exercise controls. 722

The cost of living continued to rise despite the efforts of the Council to control the prices of the most significant items as indicated in the preceding paragraphs. The rise was particularly evident when, toward the end of May, Chinese National Currency depreciated day by day till two national currency notes were equal to one Central Reserve Bank note issued by the Nanking Chinese authorities. Prices then naturally rose in terms of Chinese National Currency. When, in June, it was announced by the financial authorities that Central Reserve Bank notes would henceforward be the only legal currency, most shopkeepers merely altered the enhanced National Currency prices unchanged into prices expressed in Central Reserve Bank notes, automatically doubling them. The Council attempted to halt this process by issuing a notification that prices should not exceed those of the last week in May, but with little success. Shopkeepers claimed that replacement costs would exceed the prices of the end of May.

It became apparent therefore that extensive machinery to 435
examine the fair selling prices of a wide range of commodities 434
must be set up. Prices for many food items, including milk, were 633
carefully examined: the selling prices for woollen, silk and cotton cloth of standard grades, and of shoes, were studied: and many other items and services came under close scrutiny.

To enforce selling at official prices, the selling of permitted quantities, to penalise those who refused to sell, who did not display price tags, who moved goods without a permit or without a valid permit, or who did not comply with other emergency regulations, some enforcement machinery had to be set up. For a time after December 8, 1940, the Court, formerly staffed by Chungking-appointed judges, did not function. Later it was taken over by Nanking authorities. But enforcement of emergency requirements could not await the re-opening of the Court, nor, it was felt, could the already overworked Court handle the many cases of infraction of new regulations. Accordingly an enforcement machinery was

435 434 633 established within the Council's administration. Those found infringing the regulations were given opportunity to show cause why they should not be penalised and thereafter, if found guilty, were given an option of having their licences withdrawn, their premises closed, or making a money payment. Most chose the last-named course.

The machinery worked well and justly, but was an instrument of enforcement only. If initial policies were not well based, failure to control could not be laid at the door of the enforcement office. The weakness of the whole of the Council's efforts at price control was that in practice the Council could attempt the enforcement of prices at retail only. It had actually obtained an alteration to Byelaw 51 to permit it to control wholesale prices, but in fact control of prices of all commodities in wholesale quantities was in the hands of the Japanese authorities, chiefly the Asia Development Board, the economic organ of the army. Without ability to control wholesale prices, control at retail was ineffective to influence sufficiently the cost of the people's living.

434 633 252 When rationing was instituted, the average ration of rice was 1½ *shun* per person per week. For workers in municipal and public utility enterprises a total ration of 4½ *shun* per week was allowed, and for those in other industrial enterprises, 1½ *shun* per worker in addition to the ordinary civilian ration. The normal civilian consumption of rice was thus cut by about three-fifths, according to figures of consumption obtained in standard of living studies. As a compensation a flour ration considerably larger than the usual flour consumption was given. The people did not, however, take up this large flour ration. Flour is a product which requires the possession of cooking facilities to deal with it. Few simple Chinese households have anything more to cook with than a stove some eight inches in diameter, of earthenware usually, in which an open coal briquette fire can be built. Rice can be boiled on this, but flour cannot easily be cooked on it. Noodles, a flour product bought as such can be boiled on it, but free flour takes a basin and board, and other cooking facilities, before the flour can be used. The Division was able to urge with some success that the rice ration should more nearly comply with the known standards of consumption.

theoretical information for the intelligent handling of his tools. 874 His manual skill comes gradually with practice during his adolescent years; his theoretical understanding increases concurrently. When he emerges from his apprenticeship, he not only can use machines but knows why they work as they do. Chinese mechanics, on the other hand, while possessing skill in handling machinery, have little understanding of the science of mechanics. It is to such men, keen, alert, and with practical experience, that a theoretical knowledge has to be brought. No teacher of elementary theory ever had pupils more developed in practice.

THE INDUSTRIAL AND Social Division recognised the necessity 874 of instructing workers of various types. From 1937 onwards short- 633 term classes were organised. These were experimental in many respects and were designed to discover what range of ideas could be absorbed, what methods of teaching would have to be employed, on what exact degree of preliminary education the instruction would have to be based, and what steadiness in attendance at night classes could be relied upon. By the end of 1940 the answers to most of these questions were known.

Four distinct groups of men had been enrolled in short-term classes during the four-year experimental period. Ten classes were held for boiler firemen, involving 528 men in all. These men operated boilers in industrial enterprises, apartment houses, and office buildings. Almost all of them were illiterate and poorly paid. They worked an extremely long day, almost invariably at least twelve hours, often longer. Their work was always tiring and, in the humid summer weather, often exhausting. Few had any conception of the immense pressure in the boilers they tended with so little concern. Some were known to believe that when the pressure gauge showed 70 pounds, this represented the total pressure in the vessel. The concept of pounds per square inch was unknown to them. Coal, once easily obtainable and cheap, rose to very high prices during the period when classes were arranged. No longer able to ignore waste in the operation of steam plants, the more alert factory managers recognised the need to plan for the use of expensive coal to the greatest advantage. Yet, so far as could be learned, little was done by the majority of enterprises to see that a better-educated man took charge of the firing of boilers. The

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Division did what it could under the circumstances. It took existing firemen and, in courses each of six weeks' duration and a total of twenty-four hours' instruction, gave them a rudimentary knowledge of the proper operation of boilers. The lecturers were boiler surveyors approved by the Council and regularly engaged in the inspection of steam plant installations. Visual methods of education had to be developed: slides were used at every lecture. To the sceptic who said, "but these men are illiterate, they cannot be taught anything," the obvious reply was, "but they mind boilers." Until factory management was prepared to pay for competent operators of steam plants, the Division instructed those who actually tended boilers. Several employers who needed new firemen sought those who had attended the training course.

A second group for whom two series of lectures were planned were those known as *lao kwei*—literally "old devils".[1] *Lao kwei,* relics of a simpler industrial scene in Shanghai, were still in many factories in charge of machine apparatus, including the steam plant. They often were not qualified engineers, for they belonged to a period when Shanghai had just embarked on machine-manufacturing processes and trained engineers were scarce. With the aid of mechanics skilled enough in practice but, as we have seen, without knowledge of such elementary matters as how accurately to calculate the size of a pulley and belt to obtain a given speed, *lao kwei* have installed complete plant machinery. The fact that during operation plants frequently have been shockingly mistreated and that there has been enormous waste has concerned neither the *lao kwei* nor their employers. There have been loss and waste in operation, and heavy replacements and repair charges, the elimination of which would in many instances have permitted occupation in more suitable premises and the payment of better wages. Some one hundred *lao kwei* and their assistants received instruction in courses lasting seventeen weeks.

A third group gathered into classes proved the most responsive of all, and indicated the direction of later policy. This group comprised the younger mechanics, machinists and fitters in machine shops, operating machine tools. There had been a distinct increase in the variety and improvement in quality of locally manufactured machinery. Among units being manufactured in Chinese-owned plants were machine tools, power presses, air compressors, steam engines, screw- and nail-making machines, printing machinery, paper-making machinery, machinery for use in textile, cigarette, chemical, rubber and seasoning powder plants, in flour mills and steam silk filatures. Of the thousands of machinists and operating mechanics involved, few were found to have had any instruction in basic mechanical principles. Up to the end of 1940 experimental short-term classes of seventeen weeks, sixty-eight hours in all, had been held for two hundred of these men.

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[1] Use of this slang workshop term is widespread. The charge hand is called the "old devil," the next in charge is the "second devil," a foreigner a "foreign devil," a young worker a "small devil," and a spiral drill a "twisted fried-roll devil."

A fourth group consisted of the owners and foremen of plants using power presses in manufacturing. The range of hardware being produced in Shanghai was increasing as was also the manufacture of containers like tin cans and thermos flasks. Power presses were thus used extensively. There was, however, little knowledge of diemaking, of the heat treatment of steel, or of the measures which should be taken to reduce accidents on power presses. Some one hundred and fifty men engaged in the operation of power presses had six-week courses with twenty-four hours of teaching.

Commencing in the autumn of 1940, a first class of 52 men was admitted from among those mechanics and fitters who had already attended experimental classes and could pass entrance tests. They proved to be the advance guard of the regular three-year course which later developed. In the autumn of 1941, two evening technical schools for adult workers were opened, one in the eastern, one in the western industrial district, with 250 first-year students admitted. Despite the unemployment which descended on industry in December 1941, and in succeeding months, unemployment which early affected machine shops from which the majority of the students came and most of which were deprived of their sources of raw material, the schools withstood the shock, and 85 first- and second-year students completed the year's work in June 1942. The autumn of 1942 was to see also the beginning of classes for electricians, for in this field also complicated installations were operated by workmen without fundamental knowledge of the principles on which their work rests. It was hoped, year by year, to add some course of training, until the schools might merit the name of technical schools. A Shanghai which had constructed

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24-storey buildings should surely have courses of instruction in the building trades. These were next on the list to be provided.

To enter the Technical Schools, students must have completed their three years' apprenticeship in a machine shop in the case of mechanics, or in a factory manufacturing electrical equipment or with an electrical installation contractor in the case of electricians. They must then have passed an entrance examination which is approximately at a standard of completion of primary school.

The schools were financed from grants-in-aid funds of the Education Department of the Council. In addition to the primary and secondary schools which the Council provided for Chinese and foreign children, the Council each year distributed substantial sums as grants-in-aid, a mechanism used to induce in the schools which applied for them better standards of building and equipment and of teaching. The Grants-in-Aid Committee considered that the Division's schools warranted an expenditure of five per cent of all grants. The sum involved for 1942-43 was CRB $31,000.

The Educational Department of the Council, which had operated night primary schools for several years, modified the rules governing these schools so that they might become feeders for technical schools in the future. Older apprentices from machine shops were recruited to attend these night primary schools which thus became pre-technical schools.

Nowhere in the world is it a simple matter to operate night classes and to obtain completely regular attendance. When the ordinary crises in human affairs such as sickness and family difficulties do not intervene, overtime work often does. And in Shanghai in 1941 overtime work meant money which the family badly needed in days of high living costs. If men succumbed to the temptation to earn a little more, and were thus absent from classes, they could hardly be censured. If Shanghai is to build up an informed stratum of qualified mechanics, workers' earnings must reach a standard sufficient for family needs. The group for which technical education in western countries is usually designed is adolescent; it is generally free from the heavier responsibilities of family life. In Shanghai, however, classes for mechanics and fitters were for adult workers who had families to support.

THERE WAS IN THE larger foreign enterprises a group of young workers who correspond more to the apprentices in western countries. They were generally known as trade apprentices (*i t'u*) and were found in such enterprises as public utilities and dockyards. Their apprenticeship was of fixed length, and regular teaching was available for them during this period. In an attempt to raise the standard of trade apprenticeship generally, the Engineering Society of China in 1940 recommended to the Shanghai Municipal Council the adoption of regulations governing the registration of such apprentices by the authorities. By the early part of 1941 one hundred applications from public utility enterprises had been received. For registration purposes, apprentices must have completed a junior middle school course prior to employment. It was hoped that the issue of a certificate by the Council at the close of the apprenticeship period would induce other enterprises to bring their regulations for apprenticeship into line with the new standards, thus making a contribution to better technical training. By 1942 it was apparent that the certificate was already becoming a desired credential. 876 633

The curriculum in the Technical Schools took account of the fact that students had a considerable practical experience. There was no need to set up laboratory experiments to demonstrate a principle which could well be illustrated by referring to the actual work in the workshop. Lecturers were Chinese engineers who in most cases had had university training, but who also had moved among workers so that they could speak their tongue. It was essential that they be taught in the workshop colloquial as well as the dialect form they understood. 874

The first-year courses included physics, mathematics,—termed "workshop calculations",—and some technical terminology, through which some engineering principles were enunciated and machine parts taught. The colloquial Chinese workshop term was taught in relation to the correct Chinese engineering term and its English equivalent. In subsequent years, courses in machine shop practice, in strength of materials, in machinery installation and that of power plants were given.

Thus, by the paths indicated—by the path of the primary school, apprenticeship and evening technical schools leading to a graduation certificate, and by junior middle school with appren-

CHAPTER X

CHILD PROTECTION

Any adequate programme for the protection of children by the 164 authorities in Shanghai seemed in the past to present almost 163 insuperable problems. The evolution of policy in the general field of child welfare involved difficulties of finance and other obstacles sufficient to deter the stoutest heart. The high birth rate and the size of the population even in normal times meant that the city had a child population as large as that of some small countries. Housing congestion and unhygienic living quarters, together with inadequate nutrition, traceable in part to the low earnings of workers, caused literally thousands of children to live under conditions that contributed to a high death rate. If they survived they suffered in many cases chronic ill-health. If conditions were hard for the children of wage earners, they were harder still for those in families where there was unemployment, and for those who had no one to care for them.

The type of child welfare programme familiar abroad, where 736 governments are aware of the necessity of caring for the citizens 633 of the future and ready to appropriate large funds for that purpose, was not in the past considered possible in the International Settlement of Shanghai. The sources of the Council's income, ultimately dependent on the capacity of the people to pay, were strictly limited. The Council took the general view that "poor relief" was not feasible, since it had no control over entrance to the Settlement.[1] In practice, however, certain forms of relief were undertaken from Council funds. The Council for years made limited contributions as grants-in-aid to institutions which cared for children coming into the hands of the police—children who were lost, abandoned, abducted, exploited, ill-treated or otherwise victims of circumstance. Indeed, for long the police in Shanghai were the social workers of the Settlement. Police stations saw many a human drama in which children were concerned. Police rescued

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[1] See Chapter XI.

633 those who were ill-treated, took in the lost or abandoned, settled
736 many family matters involving children.

From the early part of 1937 the Council embarked on a somewhat more concrete plan of child protection. For the programme which developed, the wider term of child welfare cannot be used, for it did not concern itself with instruction to mothers in the care of children, or provision of monetary assistance to families with children, development of kindergarten schools, or nurseries, or playgrounds—any of the "welfare" features so well understood elsewhere. Because of the special problems of Shanghai, emphasis was placed first on the field of "protection."

633 THE ORIGIN OF THE Council's recent concern with child protec-
736 tion is traceable to requests of the Slavery Committee of the
League of Nations that it give attention to the problem of *mui*
597 *tsai* or *pei nu,* so-called girl slaves. Through past centuries and
567 down to the present, the prevailing poverty of China caused poor
families in certain areas of the country to give their daughters to
357 richer families better able to support them. During childhood and adolescence they are employed in domestic service, and then are married to husbands who have been found for them by their employers. It is obvious that this system provides possibilities of exploitation. Separated from their own relatives and in the control of others, these *mui tsai* can be worked very hard, even mistreated. In the view of the League of Nations Committee, there were elements in the situation suggestive of slavery. On the other hand, many instances were known of girls being well cared for in the homes to which they went. The League Committee, examining as it did many customs in different parts of the world where lack of freedom and of control over their own destinies characterised the lives of various groups, had urged on the governments in control of the regions in question the adoption of measures to alleviate the lot of the groups concerned. In the Far East, the League's views regarding *mui tsai* had been impressed on the governments of China, Hongkong and Malaya.

Accordingly, early in 1937 the Shanghai Municipal Council placed some responsibility on the Industrial and Social Division. The Chief of the Division was named "Protector of *mui tsai.*" The Division believed, however, that the task had been too narrowly

conceived, and accordingly undertook as a first step the examina- 633
tion of the general question of the place of authorities in the pro- 736
tection of *mui tsai* and other groups of young persons "transferred 597
into the control of others not near relatives and exploited by them." 567

A study was made during 1937 and 1938, delayed somewhat 357
by the outbreak of Sino-Japanese hostilities in the latter half of
1937 and by the abnormal situation extending into 1938. A report was presented to the Council, and in November 1938 forwarded to the League of Nations for the use of its Slavery Committee. It was adopted by the Council on December 14, 1939. It recommended that a Child Protection Service be established in the Division. Some of the report's more relevant portions, chosen to show the range of the problem, follow:

"Case histories have been taken firstly of 176 girls who are *pei nu*[1] or 633
in domestic conditions nearly allied to this: secondly of 72 girls who 736
have been sold or mortgaged into a life of prostitution: thirdly of 27
girls bound by contract to a period of service in industrial undertakings 597
where their earnings are the property of a contractor. 567

"Only a partial picture would have been presented if the study of 548
pei nu only had been made, for unless the custom of transfer of girl children into the control of others than their immediate relatives and into domestic employment which is the essence of *pei nu* is seen in relation to other conditions which may have common features with this custom, there cannot be an intelligent recommendation as to administrative action regarding *pei nu*. In the question as to whether administrative action should be taken in respect of one group, the larger field must be seen.

"In all three types of transfer, whether for a longer or shorter period, money passes between the person transferring and the person to whom transferred. *Pei nu* as a rule being transferred at an early age, the amount of money passed in respect of them is small—from $20 to $30 in most cases. In respect of the girl mortgaged for a period of years into prostitution, the sum demanded is found in the studies to be higher than when a girl is disposed of outright to the brothel keeper, and in both cases more than for a *pei nu*. No girls interviewed were mortgaged into prostitution for less than $100 for a three-year period while there were several cases of girls disposed of for an indefinite period for less than this amount. Presumably some more enterprising entrepreneur, who knows how to create values, handled the girls who are mortgaged. The sum for which girls are bound into labour for two or three years is only from $30 to $45.

"It is immediately obvious that there is a wider custom of transfer into the control of others than is exemplified in the *pei nu* group. This

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[1] [girl slaves -- Analyst]

633 view was expressed in the 1937 Report on *pei nu* forwarded by the
736 Council to the League of Nations Slavery Committee and was found by
the Slavery Committee to coincide with a similar conception expressed
597 to it from other sources.

567 "The Chinese Government delegate to the Sixth Committee of the
League of Nations Assembly in 1937 (who is Chief of the Chinese
548 Government delegation and its representative on the Advisory Committee on Social Questions) stated that the problem of *pei nu* can best be considered as part of the larger problem of child protection. The United Kingdom Government in its official communication to the Slavery Committee also indicated that work of the protection of women and children is intermingled with the problems arising out of the *mui tsai* or *pei nu* system. The Malayan Government has accepted in principle the minority report of the Commission on *mui tsai* in Hongkong and Malaya published in 1937. This recommended repeal of existing *mui tsai* legislation, the abolition of the legal status of *mui tsai* and the introduction of entirely new legislation for child protection."

736 Even as the Shanghai study was being made and the report presented, it was obvious that the 1937 war had left stranded an army
597 of young people whose parents had been killed, or who were
633 separated from their families during head-long flight from danger.
567 Some of these children were in refugee camps; others were on the streets, begging, stealing, those still surviving managing to live in some manner. By contrast, *mui tsai*, young girls in domestic employment had at least a roof over their heads, and presumably food to eat. While in no way condoning the system, Council officials believed that the first concern of a Child Protection Service should be the homeless. No special registration of *mui tsai* was recommended. The programme which was developed and details of which follow was designed to care for these children in so far as an administrative procedure may do so.

Child protection work was begun with the young people who came into the hands of the police and were in need of help. Before 1939 it was the custom for police to take to court for disposition all lost, abandoned, abducted, ill-treated and otherwise exploited children for disposition by the judge of the court. To deal constructively with the needs of these young people something more than a purely legal process appeared to be desirable. In theory the disposition of the person of any citizen, child or otherwise, should be by the legal process. But in the situation ruling in Shanghai, where the need was essentially a social one, it was felt

that the form of court disposition could be replaced, to the 736
advantage of the young people, by a social process. Accordingly,
with the consent of the Secretary-General of the Council, police 597
ceased to send cases of victimised children to the court, except in 633
those instances where an adult was involved, when the court 567
concurrently ruled as to the disposition of the child. All other cases
were handed over to the Child Protection Service for the most
careful handling possible under the circumstances.

The Chinese court held that the natural parents of a child in every case have a right to the child, whether exploited or otherwise. Instances occurred where a judge handed back to the care of parents girls who had been sold. The court view is based upon the relevant portion of the Civil Code. There is room for a reconsideration either of the law or of its interpretation by the court.

For the majority of those who either had no immediate relatives or were being exploited by relatives other than their parents, placement in an institution frequently represented the only possible adjustment. Every effort was made at once to find relatives or friends of a young person coming into the hands of the Service. If time was allowed to elapse, the chances of finding that link which would perhaps save the child from being alone and adrift forever might be lost. By newspapers, and by using local Chinese methods of advertising near the place where a child had strayed, the vital link was frequently established.

In 1940, FOR THE FIRST TIME, a complete picture was obtained 633
of the extent of lawbreaking by young people under 18 years of 738
age. In all, 981 appeared in court on criminal charges—899 boys,
82 girls. Of this number 70 per cent were unemployed; 87 per 674
cent were involved in some form of thieving. Twenty-one per cent
had previous convictions.

There was no special procedure in the First Special District 633
Court governing the treatment of juvenile offenders. Regulations 738
for a special procedure of the Ministry of Judicial Administration 736
of the Chinese Government exist, but were not in use in Shanghai,
or elsewhere in China, so far as is known.[2] In response to the

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[2] In Instruction No. 2237, dated May 9, 1936, the Ministry of Judicial Administra-
tion of the Chinese Government instructed the courts to temper justice with mercy [696]
and understanding in dealing with juvenile delinquents. The articles of instruction

633 suggestion, twice brought forward by the Division, that a special
738 procedure should be instituted, the Court expressed its readiness to co-operate, but the police stated they were unable to undertake
736 the necessary segregation of juvenile offenders. The Division believed that in the meantime the increasing knowledge of juvenile delinquency in Shanghai, which its specialists in child protection work had gained, would be of value whenever they would be called on to play a larger part in the disposition of such cases if a special procedure could later be developed.

In 1940 a qualified social worker with special training in the psychological handling of difficult children began to make frequent visits to the municipal reformatory where she interviewed all young delinquents twice, first after their arrival in the reformatory and again just before their release. Of the 334 persons (293 boys and 41 girls) whom she interviewed in 1940, 91 per cent had been convicted of thieving in some form, and 52 per cent were orphans or had only one parent.

Boys who before or after release from the reformatory had no plans were invited to call on the social worker. Of the 201 boys seen in 1940 before their release, 53 sought help. Twenty-three—for the most part younger boys—were placed in institutions. Sixteen were sent to a vocational training school. But many older boys refused to enter institutions. Since it proved unwise to employ these boys in factories immediately upon their release from the reformatory without any rehabilitation period intervening, they were given some little financial assistance with which to start a simple business like peddling or shoemaking. If these boys showed persistence and good will, they were introduced to regular employment.

THE REMOVAL OF YOUNG PEOPLE from institutions[3] and their placement in employment served two purposes. It relieved institu-

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[696] in this memorandum show a sympathetic understanding of the necessity for rehabilitation rather than punishment in the treatment of young offenders.

Article 14 reads in part as follows: "When assigning judges to try juvenile cases, the Presidents of the various Courts may not follow the rules regarding the distribution of duties for a Judicial Year, but they may assign a judge to try them from among the judges or procurators of the respective courts who has sufficient experience and mild temper as well as a profound study of the sciences of criminology, psychology, sociology and education."

[3] Standards of work in children's agencies depend on the calibre of their staffs.

tions of the expense of caring for them, and it provided the 633
youths with an opportunity to become useful members of society. 738
Unfortunately there were difficulties both in discovering suitable 736
jobs and in keeping the young people at their jobs once these had been found. Containing, as the Division did, both an Industrial Section which sought to improve standards of employment for young people, and a Child Protection Service which tried to place them, the Division would place only where conditions of employment were satisfactory. Most factories where higher types of skills could be learned were beginning to require that apprentices have the equivalent of a primary school standard. Few children from institutions reached this goal. Where employers agreed to take them, their records were not wholly successful. Out of 206 placed in employment to the end of 1940, 110 made good. Boys asked why they should work long hours in factories—"eat the bitterness," as the saying is—when they could return to an institution where they need not work. Yet 50 per cent of them persisted and showed increasing signs of stability. On the whole, therefore, the results of the experiment were till the outbreak of Pacific hostilities encouraging, and it was hoped that the Division's other efforts to extend opportunities to underprivileged boys would have even more satisfactory results.[4] A general unemployment after December 1941 cut off this means of assistance to young people.

A POSITIVE APPROACH to the problem of *mui tsai* was begun 633
through the development of a procedure for the adoption of young 736
people. This was felt to be important even though no express 597
power lay with the Settlement authorities to institute a procedure. The initial report on *mui tsai* pointed out that so-called adoption is often claimed to be the basis under which a young person may be in the control of others who are not near relatives: "In Chinese life it is almost impossible to differentiate between cases of *mui tsai*, adoption, quasi-adoption, prospective daughters-in-law and

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In an effort to stimulate better understanding, an initial conference was held in 1941 when such basic subjects as nutrition, recreation, and techniques in handling children were discussed. Short lecture courses in child personality and similar subjects were also given.

[4] In 1940 the Division launched an experiment in conditioning boys in a welfare camp before finding them employment. A vocational and academic programme for 80 boys over 13 years of age was put in charge of a special teacher, with the purpose of preparing these youths for permanent employment.

633 other gradations." Very certainly in the majority of cases the 736 adoption has not been carried out in accordance with the pro- 597 visions of the Fifth Book of the Civil Code of the Government of China.[8]

These provisions do not require that adoption shall be carried out with the consent of the courts or of administrative authorities. In any event, in the absence of express powers in the hands of the Council, it was realised that any procedure which might be worked out administratively by the Child Protection Service could only be on a voluntary basis.

From the beginning of 1940 an arrangement was made with one institution which from time to time placed children in adoptive homes, that such cases would be referred to the Child Protection Service for a final approval. Follow-up visits were paid to the homes in which children had already been placed, and the results showed that in only some forty per cent of the cases were the adoptions satisfactory. It became apparent that more extensive periodical visiting was necessary, and a special social worker in the Service commenced regular visits. In the year April 1941 to March 1942, 116 homes were regularly visited. In these the situations of more than 90 children could be called thoroughly satisfactory.

Study of the satisfactory cases showed that children placed in good homes, even though often of very limited means, where they were cared for in a family atmosphere, were much better off than those remaining in institutions. No public funds for promotion

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[8] Under these provisions:

The adopter must be at least twenty years older than the person to be adopted. (Art. 1073)

The relation between an adopted child and his adoptive parents is the same as that between a legitimate child and his parents, unless it is otherwise provided for by law. (Art. 1077)

An adopted child assumes the surname of the adopter. (Art. 1078)

Adoption must be effected in writing, unless the person to be adopted has been brought up as a child of the adopter since infancy. (Art. 1079)

The relation between an adopted child and his adoptive parents may be terminated by mutual agreement of the parties . . . in writing. (Art. 1080)

Where either the adoptive parent or the adopted child is found in one of the following conditions, the Court may, at the instance of the other party, terminate their adoptive relationship: (1) Where one party has ill-treated or grossly insulted the other; (2) Where one party has deserted the other in bad faith; (3) Where the adopted child has been sentenced to not less than two years' imprisonment; (4) Where the adopted child has spent money wastefully; (5) Where it has been uncertain for three years whether the adopted child is alive or dead; (6) Where other grave reasons exist. (Art. 1081)

of a foster home programme were available. In this situation it 633
was felt that a stimulation of the practice of adoption would be 736
beneficial, and this policy was embarked upon. 597

In every case of adoption arranged or recommended by the Child Protection Service, documents of approval were given to the adoptive parents. These papers were granted only after all preliminary steps (including a medical examination and a subsequent six-month trial period) had been observed. The purpose of this procedure was to formalise adoptive relationships by official approval. It was hoped thereby eventually to create the conception that adoption in accordance with Chinese law should be encouraged.

There are other phases of the care of children which, it was felt, might rightly be termed the concern of the administration even in the peculiar situation in which the Settlement found itself. What is well known as family case work, the effort to assist a family to make adjustments and to solve its problems, was scarcely known in Shanghai, at least in any formal way. Many cases were known where children were delinquent, or begging, the root cause of which lay in the economic situation of the family. Often a child might well have been saved from a future life of crime if the family situation could have been solved. In general, the view was taken that, with the numbers of homeless children as great as they are, children with homes should not be cared for in institutions. Only the children in institutions had the attention of the authorities. The attention of certain social agencies, notably the Pullers' Mutual Aid Association, and some socially minded Chinese leadets, was turned in the direction of family case work as a means of serving the city's needy children.

THERE WAS AN ALMOST complete lack of recreational facilities 529
for even the children of well-to-do parents, a consequence of the [857]
congestion in the city. There were some children's parks where
younger children went, usually in care of *amahs* as nurses, and to 741
which some more privileged older children also resorted. It was hoped that some beginning might be made with the provision in these of organised play under trained recreation leaders. A revival of a plan formerly instituted by the Joint Committee of Shanghai Women's Organisations could have obtained the use of open spaces

529 for playgrounds whenever through building demolition or some
741 other chance an area might be temporarily cleared.

The financing of children's institutions in a time of rapidly
262 rising costs proved difficult. Some were stimulated at times to
741 make efforts to improve the diet. "An egg a child a week," "some oil each day" have been aims which in some instances have been met, only to find that the cost of eggs has doubled, and that of oil trebled, so that the former ration again became the rule. There was felt to be a need for the organisation in Shanghai of a Children's Community Chest, when the citizens would be challenged to give largely and generously to its children, and all organisations caring for children might benefit. Leadership in the community to better the situation of its children was not lacking, as the extensive services for homeless children show.

736 THE WORSENING OF the economic situation in the city following
● 633 the outbreak of Pacific hostilities was followed, inevitably, by the
735 abandonment of many children on the streets by those unable to
care for them. Institutions which down through the years had
748 been able to care for all children whom the police had taken in, found themselves unable to take more. Their financial situation with a steeply rising cost of living and the difficulty of obtaining essential commodities in sufficient quantities precluded the enlargement of their responsibilities. The Division was therefore faced with the task of finding temporary care for the abandoned children and of evolving a general plan to deal with the issue. A camp which had been established in 1940 by the Salvation Army with the assistance of the Council to try to rehabilitate street beggars was used as the temporary place of shelter, and a programme of home finding with a staff of fifteen social workers was embarked upon.

"Home finding" had two aspects. It sought to trace the natural homes or the relatives of the abandoned children. By every conceivable device social workers tried to obtain a clue from them as to their former life. If a child had been lost, the reunion between the child and the parents if the latter could be traced was often a touching one. If the child had been abandoned, effort was made to solve the family problem in some other way, for at all costs that complete break with its own family must be avoided which must otherwise mean a lifetime of standing alone. It was not easy

to find employment as a means of assisting the family, but a friend 736
or relative could frequently be found who, if challenged to do so 633 ●
by a skilled social worker, was ready to help out. There were no 735
public funds to draw upon as is normal family casework in western countries; but there was being developed family case work 748
on the China pattern, an attempt to use the close family bonds between relatives to induce help of the unfortunate. This kind of friendly help of course goes on day after day without stimulus from without; the difference was that the Division tried to harness it for the help of children in the emergency. The second phase of home finding sought to apply more widely the experimental beginnings in adoption approved by the authorities, the plan referred to earlier in this chapter. With more social workers on the task and with a gradually growing sense of responsibility on the part of the community for its children, as many as fourteen applications by adoptive parents were made on one day in June 1942 to adopt children.

This much more extensive programme than formerly attempted —a programme induced only by the emergency which in eight months left hundreds of children for whom adjustment had to be found in the hands of police—proved the value of early experimental beginnings. It cannot of course be claimed that even this enlarged staff would be able to handle the situation. Hundreds of children would continue to be destitute and begging, hundreds dying on the streets.

THE REMARKABLE WORK which has been done by the Chinese 736
Government and voluntary organisations in caring for the thousands of children deprived of parental care during large-scale hos- 748
tilities in China from 1937 to the present time has certainly within 874
it the germ of an adequate child care programme in the future. It is work which has been carried on through immense difficulties of finance in a period of inflation. In Free China, as in Shanghai, there is growing a recognition of the necessity for adequately trained social workers in child care. Many students prevented from returning to China by world hostilities and for the time being remaining in the United States and elsewhere are using the time to prepare themselves as specialists in this field. In West China a special course in training for child care work has been organised

735 constructively with the problem by establishing a special camp for
747 beggars. The police removed from the streets those found begging, men, women and children, and handed them over to the Salvation Army for care. Huts were erected on land made available by the Council, and the scheme was inaugurated in January 1941. To defray expenses of building the camp, the Council allocated funds from the voluntary entertainment levy which had been collected during the post-hostility period and handed over in part to the Shanghai Refugee Relief Association for disbursement among organisations caring for refugees.

735 IN GENERAL, as mentioned before, the Council took the view that
747 it was not able to provide "poor relief." Its revenues from taxation
were limited because its powers of taxation were restricted. No
● 633 poor law rate could be levied. It was argued that in a city to which
166 (because of the comparatively safe areas and the lure of possible employment) thousands had drifted in past decades from nearby densely populated provinces, to have embarked on poor relief would have been to encourage the arrival of many more destitute persons. In general, relief was left to private charitable organisations, both Chinese and foreign.

Nevertheless, the Council contributed to relief by presenting grants-in-aid to hospitals and institutions caring for the destitute. In particular, as we have seen, it made contributions to child welfare institutions to care for the young people whom police removed from the streets and otherwise found in need, and who very often were without relatives or friends.

766 Much is made in certain studies of Shanghai of the "exposed corpse" situation. Figures of unwanted corpses picked up on the streets did not, however, represent necessarily deaths from starvation and exposure only.[2] There were indeed many such cases, but there were also many others where the family of the deceased lacked funds for a coffin and other funeral expenses. Then it was to a Chinese benevolent burial society that the family looked. In such cases the corpse was placed where it would be collected and

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[2] Barnett, *op. cit.*, p. 46, reports that in the International Settlement alone over 100,000 exposed corpses were disposed of in 1938. In 1939 the figure was 72,000. The numbers in 1942 must have been very high. There were certain places in the city where those dying of disease and starvation 'dragged themselves, to die with their fellows.

roots social and economic conditions, can easily be changed. 466
China has had a long civilisation. The leisure to enjoy it, and its expression in manners, literature and the arts have been bought for the more fortunate in China, as elsewhere, by the work of others. Low economic standards of the masses have compelled them to serve others, often in return for a meagre reward. Hence it is not surprising that, with the coming of urban industry, the leisured owner of capital has had few compunctions about working employees indefinitely long hours with very few holidays, for a remuneration often inadequate to meet their families' needs, and under completely unsatisfactory physical conditions. Non-Chinese manufacturers, introducing into this country the factory system and machine industry, did not always bring with them the best standards of the west, and it is not surprising therefore that Chinese industrialists who followed them proceeded on unsatisfactory lines. Japanese industrialists also erected modern plants and installed the most modern machinery, but Chinese workers were to them a means of profit. Under these basic circumstances it is not strange that progress was slow.

Yet the picture was not entirely black. Far from being conservative and without adventure, more and more modern Chinese industrialists welcomed new social ideas as well as mechanical concepts. They often desired, once their interest was aroused, to be in the forefront in accepting new principles and in putting them into operation. Possessing the excellent qualities of their race, heirs of the philosophical content of their country's history, they were essentially governed by reason, and in particular frequently showed sympathetic understanding of the modern concepts of employment conditions and relations.

As had been laboured sufficiently in the foregoing chapters, 466
however, the fact was that the normal functions of an administra- 633
tion interested in improving working conditions were beyond reach. Clearly expressed laws and regulations, to which all enterprises must adhere or else be haled into court, are the usual instruments of administration. Until political conditions give the authorities power to exercise control in this way, the most that could be done was to lay foundations for the future, meanwhile achieving whatever improvement might be. The prerequisite for the efficient execution of any administrative programme is a trained staff. This

466 was built up. Competent officers were in charge of Sections. A
633 foreign engineer in the Industrial Section, with foreign and Chinese inspection staff, added daily to their knowledge of industrial processes and did what could be done to improve working conditions. Chinese mediation officers in the Industrial Relations Section built up a technique and relationships with both workers and employers. A Chinese statistician, with a staff of assistants, calculated the cost of living indices month by month, and forged instruments to gauge the relative economic position of workers from time to time. And a Chinese woman welfare officer developed, with trained Chinese social workers, programmes in industrial and social welfare including child protection.

Many fundamental issues were not faced by the authorities. Largely this was perhaps because the Council was unduly obsessed by a sense of its lack of constitutional powers. But in imagination it lagged behind the Division—its administrative arm—in making resort to procedures of education and persuasion where force was lacking. Perhaps it was thought politic to leave to the pragmatism of departmental practice—by trial and error—what seemed precluded from enunciation in terms of policy. There was never a Council decision, for example, as to what should be the length of the working day, or how many rest days workers should have each month. No Council committee debated what minimum standards should be recommended to industrial enterprises. Latterly, because of the great rise in living costs, the Council paid close attention to the basis of the people's livelihood; but it did not consider whether any other influence than the publication of facts about the cost of living should be exerted to obtain more adequate wages for workers.

If low standards of employment were in part the result of insufficient capital, this fact should have been recognised. It was not beyond the capacity of Shanghai to supply capital for co-operative enterprise with better conditions of work. A procedure for mediating in disputes existed but its functions were not discussed by the authorities. The attitude of the Council toward labour organisation was not defined, although labour's group activity and power were extensive, even if inchoate. Much more remained to be done in Shanghai.

722 AT THE TIME OF writing almost complete silence rules as to the situation in Shanghai as in other parts of Japanese-occupied China

and East Asia. What the social situation is, is unknown. In Free China, which has been deprived of its contact with the outside world by the usual transport means and is dependent only on an air service over a difficult route from India, there is great social distress. A serious inflation has gravely reduced the former modest standard of living, and the time of deliverance seems far in the future. Yet throughout, the Chinese Government has referred to the war against Japan as the dual one of "resistance and reconstruction." There can be little doubt that when the period of resistance ends, the plan of reconstruction holds within it the aim of restoration to the people of that standard of living and its improvement as the years go on. 722

The renunciation of special rights in China by the United States and Great Britain has meant for these powers that they have given up the share they possessed in the administration in Shanghai. Other powers may be expected to follow suit, and for those that do not the issue will not be one within their power to influence. Thus when the invader shall have been driven out, the Shanghai of the future will be in the hands of the Government of China. None will rejoice in this development more than those who have in the past had part in the administration of the Settlement and who have looked forward to the time when the work being done would gear into the plans of the government of the country. If the ten-year experiment which is herein described has within it any germ of a social programme for the city of the future, those who took part in it will have been fully repaid. They have already had their rewards in the comradeship of the joint endeavour, the working together with able Chinese colleagues and the close co-operation which was achieved with both Chinese employers and workers. 648 633

In sum and in retrospect, despite the large task still unfinished, cut short by the necessity to dissociate from a Council which had become Japanese-controlled following December 1941, certain fundamentals have emerged from the decade of work. The opportunity to pursue an administrative social programme, despite the lack of specific power, for so long a continuous period as ten years, is something which has importance in itself. The Chinese Government which in the decade 1927-37 laid its foundations and had, particularly in the last five years of this time, made such real progress, was unable to remain at its peace-time task and had to 633 722

633 embark on a desperate war of resistance, involving withdrawal to the interior. The steps which it has taken to organise its resistance 722 are, it is true, parts of its total future plan in many respects, but events have not permitted its Ministry of Social Affairs to give continuous and uninterrupted attention to administrative steps designed to achieve social betterment.

000 WHAT ARE THE FUNDAMENTALS which have emerged from the Shanghai experience? Are there any results which are important for the future? Is the organisational pattern which was evolved year by year a useful one from an administrative point of view? What should be modified? What services should be added? In the last resort, on what does successful social effort on the part of the authorities rest? What should be the relation between workers' organisations and the administration? How can the administration assist in the bringing in of suitable employment patterns which will assist in the development of free workers? What is the responsibility of the administration in aiming at more adequate housing? in securing better nutrition? in providing medical care? in caring for its children?

The answers to these questions, to the extent that answers may be ventured based on a decade of experience, have, it is hoped, been indicated in the preceding chapters. They can perhaps be summarised here.

The organisational pattern which was worked out was useful for a city administration of the time and circumstances of the Shanghai of the decade 1933-42. But a Department of Social Affairs in a City Government in the future will, of course, have a direct relation to the relevant Ministry in the National Government. Its policies and programmes must be those of the National Government, enforcing the laws and regulations of the Government, existing and to come. Though complete information is not available of the plans of the Ministry of Social Affairs for the future, some knowledge of its wartime policies and programmes indicates some of the directions which a future city government must travel. There is a considerable body of labour law waiting to be enforced. A Labour Bureau will need to be established which should have sections dealing with factory inspection and industrial welfare; with industrial relations—contact with employers' and